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International Affairs

'Wider' Perception Gap on U.S. Trade Seen

OW1910151690 Tokyo ASAHI EVENING NEWS in English 18 Oct 90 p 1—FOR OFFICIAL USE ONLY

[Text] The perception gap between Americans and Japanese on bilateral trade frictions is getting wider, according to a poll conducted by Louis Harris & Associates of the United States and the ASAHI SHIMBUN. Americans are growing wary of and frustrated with Japan's expanding economic presence in the United States and the persistent trade imbalance between the two countries, while more and more Japanese have come to resent repeated U.S. demands upon Japan, the survey showed.

Sixty-six percent of Americans polled said they felt bothered by high-profile Japanese acquisitions in the United States such as the Rockefeller Center and Columbia Pictures, while 33 percent said they did not mind. Twenty-four percent of Japanese respondents said the purchases were just business, although another 59 percent said Japanese had to be more considerate of American feelings. Fifty-five percent of American respondents said they feel threatened by the expansion of Japanese economic clout in the United States, while 44 percent said they felt no threat. Japanese companies now have more than 1,000 factories in U.S. communities.

In surveys in 1982 and 1986, 55 to 56 percent of American respondents said they welcomed those factories, largely because they said Japanese plants would create jobs. In the 1986 survey, only 37 percent of respondents opposed American firms' becoming subsidiaries of Japanese firms and 55 percent welcomed Japanese firms as job suppliers.

This time, however, the situation was reversed, as 54 percent of American respondents said they would oppose a Japanese company building a plant in their community. Just 42 percent said they would favor it. More than 60 percent of respondents aged 50 and older were against having Japanese firms in their community, while about 50 percent of those aged between 18 and 39 favored having Japanese firms, the poll indicated.

Asked why the United States does not export more to Japan, 48 percent of American respondents said that Japanese keep out American products, but another 47 percent said that American products are not competitive. In the 1986 poll 56 percent of American respondents cited uncompetitiveness of American products and 35 percent blamed a closed Japanese market. In Japan, 44 percent of respondents attributed the lack of success for American products to uncompetitiveness, up from 36 percent in the 1988 survey.

Accordingly, the overwhelming majority of Americans, 68 percent, said Japan is more a rival than a partner of the United States. In particular, 81 percent of Americans aged 50 to 64 said so, the poll found. The joint poll was conducted September 10 through September 26 in the United States and September 19-20 in Japan.

Harris selected interviewees aged 18 or older and got 1,605 valid responses through telephone interviews across the United States excluding Alaska and Hawaii. In Japan, the ASAHI SHIMBUN conducted home interviews of 3,000 eligible voters selected by the two-step stratified random sampling method. Valid responses were given by 2,233 interviewees.

* Personnel, Directives for MITI Examined

902B0183A Tokyo KANKAI in Japanese Aug 90 pp 32-44—FOR OFFICIAL USE ONLY

[Article by KANKAI Editorial Staff: "Geography of the Bureaucratic Network in the Central Ministries and Agencies—The Ministry of International Trade and Industry"]

[Text] **With Mountain of Problems, MITI's Ability Questioned**

"I am afraid friction between Japan and the United States will last as long as the two are economic powers." A top Ministry of International Trade and Industry (MITI) official spoke without showing much surprise at the United States having thrust forth new demands before the final report of the U.S.-Japan Structural Impediments Initiative [SII] talks. "There's a 30-year history behind friction between Japan and the United States. You know, on the contrary, I think it would be stranger if the friction stopped."

Japan-U. S. friction quickened its steps towards the height of tension from the time last year when it was decided to use Article 301—Super 301—of the U.S. comprehensive trade law (an article to apply sanctions against countries committing unfair trade practices) against Japan. Despite the macroeconomic coordination since the September 1985 Plaza Accord, there has been no remarkable improvement in the imbalance between Japan and the United States. To the contrary, the U.S. Congress began to argue for the necessity of going on the offensive against Japan in response to the concern emerging that Japan's surplus against the United States (seen from the United States, the deficit against Japan) would shift to an increasing basis. On the receiving end of this, President Bush formally proposed SII in bilateral summit talks before the Arche summit last July in order to attempt to improve the structures of both countries. Here started the SII talks to bring historical improvements in the entire policy field of our country's distribution system, industrial policies, and social capital arrangements.

Under the agreement that Japan and the United States would put together reports expressing their respective structural reform policies within a year, the most critical point for Japan was the mid-term report in April this

year. Among the Japanese side's three principal ministries (Ministry of Foreign Affairs, Ministry of Finance, and Ministry of International Trade and Industry) all of MITI—which was made to bear the brunt of the U.S. side's unbending demands across a particularly wide field—pulled together to work day and night creating counterpolicies. The International Trade Policy Bureau, with the United States-Oceania Division at the center, played the coordinating role within the Ministry. The International Trade Administration Bureau was responsible for the import expansion program. The Industrial Policy Bureau and Small and Medium Enterprise Agency exerted themselves on the relaxation of the Large-Scale Retail Stores Law (the Large Store Law), which became a particularly large point of contention in the mid-term report and the accompanying policy for the small and medium retail industry. MITI hammered out one after another structural reform policies signifying wide-ranging changes in each field of Japan's long-standing economic management and industrial policy line, putting them into the mid-term report.

Among them, as the relaxation of restrictions in the Large Store Law was a problem directly linked to the interests of small and medium retailers, it was a great decision for MITI as well. Of course, one cannot deny that past application of the Large Store Law, to the extent that there are cases of it taking over ten years from the announcement of a store opening to the actual opening, gave a foundation to the strong overseas criticism of Japan's unique distribution system. Even in the Industrial Structure Council's (MITI's advisory organ) "Distribution Vision for the 1990s" put together last year, improvement of the law's application was stressed. But the truth is that careful preparation is necessary for that. In putting together reform policies while pressed by the SII talks, the concern is great that distortions will arise in the distribution system.

MITI has implemented improvement of the [Large Store Law's] application at the end of May to make the coordination period for opening a store one and a half years at the longest. The Ministry plans further at the next regular Diet session to propose reform legislation further shortening the coordination period to one year at the longest. Amidst predictions of a rush to open large-scale stores, the reaction of small and medium retailers who will suffer directly is certain. Success or failure of relaxing restrictions in the Large Store law itself depends on policies to help those retailers. Examining small and medium retail stores promotion policies in which the Construction and Home Affairs Ministries are also involved, the undertaking seems the foremost which, predicting MITI's fortunes from the 1990s until the 21st century, is also calling the ministry's power into question.

In the three product areas (super computers, satellites, and wood products) where Super 301 was applied against the Japanese parallel to the SII talks, the Japanese side piled concession on top of concession; with a feeling of relief, Japan managed to avoid being named in 1990. President Bush also highly praised the Japanese government's effort in the SII mid-term report and Super 301 negotiations. The mood of a thaw between Japan and the United States grew stronger. Despite this, however, the United States is again stiffening its posture toward Japan.

"Japan, no matter how many times it is hit, always stands back up. For America, it's like 'mole bashing.' It's becoming the entire global economy's shock absorber," in the analysis of a well-known U.S. economist. In short, U.S.-Japan friction is becoming the lubrication for the development of world trade. It is no exaggeration to say that MITI, on the front line of the U.S.-Japan relationship, is now at the point where it must not fail not only in the bilateral relationship but in the management of the entire global economy.

Widening our view to the entire global econonmy, at the end of the year we are greeting the end of the negotiation period of the GATT (General Agreement on Tariff and Trade) Uruguay Round advancing rule creation for world trade in the 1990's. MITI, grasping the whole of Japanese international trade policy, is actively contributing to the negotiations, the next great stage after the Tokyo Round.

But as the new round is taking on the form of a clash of interests between the advanced countries of Japan, the United States, and Europe and, even more so, between the advanced and developing countries, the reality is that negotiations will come to a standstill. At first, a grand consensus in all 15 fields under negotiation was the goal for the Trade Negotiations Committee (TNC) meeting at the end of July, but it is certain that a settlement will slip to the very end of the year. In the words of [an official from] MITI's International Economics Office, "We are at the point of agreeing in general on only a few things. Since almost all the negotiations require political decisions of each country, the real negotiations begin in early autumn. For Japan, the Round's greatest problem is that of rice liberalization. As the end of the negotiations exerts pressure, it is a certainty that market-opening demands from the United States the European Community (EC) and developing countries will strengthen. However, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) manages the rice problem. But apart from rice, MITI stands at the forefront in negotiations on TRIM and TRIP, country-of-origin restrictions, the antidumping problem, and the subsidies problem. In suppressing protectionism and supporting the world's free trade system, how far will we Japan be able to their arguments incorporated? One can say that this is a time when MITI's skill will be tested.

Moreover, the global environmental problem is also a focus. Keeping in step with a United States arguing for both economic growth and environmental protection, MITI is establishing a global revival plan. Taking a step forward from past energy conservation policies in having implemented the introduction of new energy technology, MITI has received a certain amount of praise from the

United States and even from the the EC, which is even more hardline on the environmental problems. MITI will introudce it as the Japanese government's proposal at the Houston summit (advanced nations' summit). But differences of opinion are surfacing with the Environmental Protection Agency (EPA). I believe that the Japanese Govenrment, in order to take a unified position, hereafter will be pressed on the necessity of exerting energy in the work of domestic coordination. Also, for environmental problems, particularly to suppress the emission of carbon monoxide gas said to be the source of global warming, MITI put forth in June this year in its established long-term energy supply outlook the policy goal of lowering dependence on petrochemical energy such as petroleum and raising dependence on non-petrochemical energy nulear power. As antinuclear sentiment rises due to the Soviet Union's Chernobyl nuclear power plant accident, in a situation where even passive voices from the electric power industry are rising that "one has to have doubts about its realism," MITI's Agency of Natural Resources and Energy is at a crucial point of whether it can express a concrete policy capable of convincing the people.

With these many topics on his hands, it is determined that Vice Minister Yukiharu Kodama and Vice Minister of International Affairs Naomichi Suzuki will remain at their positions. At the insistance of MITI Minister Kabun Muto, who took up his post in February this year, the Muto-Kodama-Suzuki troika system will deal with the difficult problems from the summer until the end of the year. Therefore, Yuji Tanahashi (who entered MITI in 1958) will remain Industrial Policy Bureau director general, a springboard post to vice minister, and will command the front line at the core of MITI until his appointment to vice minister next year. Machinery and Information Industries Bureau Director General Kosuke Yamamoto (who entered MITI in 1959), whom many are calling the "next after the next after the next vice minister," will also stay where he is. Speculation is also flowing within MITI that Director General Tanahashi, after becoming vice minister, will work at the post for two years in the same way as Vice Minister Kodama; his treatment will be observed.

On the other hand, in the case of a change at the top, International Trade Administration Bureau Director General Masahisa Naito (who entered MITI in 1961), whose appointment to the vice minister course position of deputy vice minister for administration was seen as a certainty, will become Basic Industries Bureau director general because deputy vice minister for administration Hideaki Kumano (who entered MITI in 1960) will continue working in the core Minister's Secretariat line due to the holdovers at the top. The course to vice minister that climbs from deputy vice minister for administration to Machinery and Information Industries Bureau director general to Industrial Policy Bureau director general has almost become a set one. Next year's retirement of Vice Minister Kodama and the appointment at the same time of Naito as deputy vice minister for administration is the general outlook.

Because International Trade Policy Bureau Director General Noboru Hatakeyama (who entered MITI in 1959), who had poured all his energies—on the front stage of international trade policy from last year until this year in tandem with Vice Minister of International Affairs Suzuki—into the Super 301 negotiations, SII talks, and the Uruguay Round, has gained another year in his hard post, it is certain that he will succeed Suzuki. There is a strong possibility that Director General Shozaburo Okamatsu (who entered MITI in 1960) of the Industrial Location and Environmental Protection Bureau will combine with Hatakeyama as the next director general of the International Trade Policy Bureau. However, at the moment when the next vice minister, Tanahashi, assumes his post, there is also the possibility of these posts changing. It is a situation that admits of no prediction.

The personnel lineup of the three agencies outside the ministry—the Agency of Natural Resources and Energy, the Small and Medium Enterprise Agency, and the Patent Office—was decided at the end of June. Atomic Power Bureau Director General Kenjiro Ogata of the Science and Technology Agency succeeds Masaji Yamamoto (who entered MITI in 1959) as director general of the Agency of Natural Resources and Energy. Basic Industries Burea Director General Michinao Takahashi succeeds Nobutaka Kengaku (who entered MITI in in 1959) as director general of the Small and Medium Enterprise Agency. Defense Agency Equipment Bureau Director General Satoshi Uematsu (who entered MITI in 1961) succeeds Fumitake Yoshida (who entered MITI in 1960) as director general of the Patent Office. At first, Takahashi was rumored for director general of the Agency of Natural Resources and Energy because of his long experience in the energy field, but his appointment as director general of the Small and Medium Enterprise Agency is due to the emergence of small and medium entereprise as a major theme for MITI due to its connection to the loosening of restrictions in the Large Store Law.

Vice Minister, Vice Minister of International Affairs

Vice Minister Yukiharu Kodama (Tokyo University, Law, 1957) is typical of the able bureaucrat. He climbed in a straight line MITI's "vice minister course" of deputy vice minister for administration, Machinery and Information Industries Bureau director general, and Industrial Policy Bureau director general. Even so, he has a bright and frank character. His merit is in not putting up a front but winning or losing by his true intentions. That Japan was able to ride out the application of Super 301 against Japan, which some went so far as to call the black ships of the Heisei era [the "black ships" refer to the menacing warships of Commodore Matthew Perry and "Heisei" refers to the reign of the present emperor] and the U.S. offensive against Japan following the SII talks is linked to his telling decisions from every vantage point. Particularly in the SII mid-term report, in response to the United States having thrust forward the hardline demand to abolish the Large-Scale Retail Store Law (the

Large Store Law), his rejoing that "We cannot do what we cannot do" is said to be Kodama's true peak. Burdened with difficult problems as the GATT's Uruguay Round winds down at the end of the year, his staying in place is already decided. Behind this is, even more than his repuation within MITI, the depth of trust from Prime Minister Kaifu among others in the ruling Liberal Democratic Party.

What gave rise to this strength of trust was his time from 1982 to 1983 as Economic Cooperation Officer. At the time of then Prime Minister Suzuki's tour of ASEAN (Association of Southeast Asian Nations), he created a plant libejon [phonetic spelling] cooperation budget for activating Japan's economic cooperation. Also, as director general of the Machinery and Information Industries Bureau in 1983, he was on the go as in his direct responsibility for handling trade friction with the United States. In the problem of automobile export restrictions, separate from the negotiations up front, he piled backroom maneuvers one after the other in topsecret negotiations with the United States. His appearance as a "master maneuverer" in possession broad settlements is even becoming the talk of MITI.

One side of him is his firmness of character. A flexible conception that "we will do what we should do" is also part of his personality. In the SII talks, in only a little more than a month after having promised to the loosen restrictions of the Large Store Law, he put together an announcement—full of consideration for small and medium enterprises as well—for improving the application of the law so quickly that he left the other ministries of Kasumigaseki and, even more so, the United States itself that had requested it, speechless. Despite the continuation of a difficult situation from now until the end of the year, that he shows a relaxed leisure—"I'm thinking to take a long break in August and prepare for the business starting in early fall"—is probably an expression of his confidence in having ridden out so many difficult situations until now. How will Japan, as an economic great power, contribute in the new [GATT] round that one can say is the starting point for the free trade system headed for the 21st century? His ability will be observed.

The pleasure of Vice Minister Kodama, who does not cut himself or his subordinates any slack, is going for walks with his beloved dog, Terry. The sight of him walking the streets late at night with his dog, who comes to greet him at the front door no matter how late he returns home, is a scene that conjures up a feeling of warmth so that one cannot conceive that he is a pillar of Japan's economy.

Vice Minister of International Affairs Naomichi Suzuki (Tokyo University, Law, 1958) is tacitly known as the older brother of former lower house Dietman Naoki Tanaka [the latter is the adopted son-in-law of former Prime Minister Kakuei Tanaka]. If Vice Minister Kodama has been MITI's control tower in the trade friction between Japan and the United States—Super 301, the SII talks—Vice Minister Suzuki has been the frontline commanding officer. His negotiating technique, which has Vice Minister Kodama's full trust, is supported by the overseas network of contacts built up during his time as International Trade Policy Bureau deputy director general (1984) and director general (1988).

At any rate, he must fully feel his trips without pause overseas in the past year. In his task to put together the midterm SII report in Washington at the beginning of April, he worked throught the night continuously for nearly an entire week. He was so exhausted from his efforts after returning to Japan that he seemed to have aged 10 years. But he expressed his heroism in those talks: "We would have lost if I had slept. In short, if we had lost due to [a lack of] energy, we would have been pressed with demands from one thing to another. Finally, it was the other side (the U.S. representative team) that grew tired of the negotiations and lost patience." His face, recalling that time, was full of his feeling of satisfaction at having protected Japan's national interests as one of the Japanese side's three chairmen (the deputy foreign minister, vice minister of finance for international affairs, and MITI's vice minister of international affairs).

A man of integrity, he has a character approachable by anyone. As Industrial Structure Division Director of the Industrial Policy Bureau in 1978, he was the heart of the effort to draw up the what would become the guide to the tumultuous 1980's, "The MITI Policy Vision for the 1980's." The vision underlined the three S's—software-ization, systemization, specialization. Moreover, it predicted the coming of the concentration in creative knowledge. Also, for his time as director general of the Basic Industries Bureau, he has a reputation for foresight for putting together authoritative medium and long-range visions of MITI policy such as "Toward a New Era in Steel" and "New Chemistry Clearing a Trail to the 21st Century."

As with Vice Minister Kodama, his staying on has been decided in order to weather the storm of the Uruguay Round, but he himself recalls the past few years spent working from dawn to dusk on negotiation after negotiation: "Enough is enough already. I'd like to be free of them." But before the final SII report, when the U.S. side again hardened his attitude, he said, "What, are they insisting only on their side of the story? If that's how they feel about it, we have the resolve [to face them]." There is no room for doubt that his character, like that of a wandering samurai who never surrenders in facing unreasonable demands, is necessary for Japan's international trade and industry policy.

Minister's Secretariat

Deputy Vice Minister for Administration Hideaki Kumano (Tokyo University, Economics, 1960) is an outstanding talent who graduated at the head of the Tokyo University Economics Department. For all that, his image is not at all that of a straitlaced person. His

character is an open one. He has a strength combined with a warmth unimaginable judging by his appearance. With his character, he is the hope of the highly appraised class of 1960. When he was the assistant to the Industrial Trade Policy Bureau General Affairs Division Director, he put forth an import promotion policy as part of a countermeasure to excess liquidity accompanying an export drive. One can even say it is the model for the general import promotion policy MITI is promoting at present to correct the [trade] imbalance between Japan and the United States. Also, when he was the Machinery and Information Industries Bureau director general from 1983-84, he succeeded in facing the Ministry of Posts and Telecommunications to pull off political bargaining with the government and Liberal Democratic Party (LDP). He also worked as then-Prime Minister Nakasone's secretary. It is said that these experiences have strengthened his base.

General Affairs Councilor Osamu Seki (Tokyo University Law, Class of 1962), who has mainly had experience in parliamentary and political policies, has kind eyes behind his black-framed glasses. It is said that, with his warm character, he has no enemies in the Ministry. He shone in energy administration as Agency of Natural Resources and Energy Petroleum Department Distribution Division director (1983), Petroleum Corporation General Affairs Division director (1984). As successor to Satoshi Uematsu, who assumes the post of Patent Office director general starting in June, he will move to the post of Japan Defense Agency (JDA) Equipment Bureau director general. This is the year celebrating the 30th anniversary of the U.S.-Japan Mutual Security Treaty. Much is expected of his skills. Secretariat Deputy Director General Hideo Suzuki (Waseda University, Engineering, 1961) is a technical officer. Councilor Hideo Nagashima (Tokyo University, Law, 1970) is a a bureaucrat full of spirit whose motto is, "I give it my all in everything I do."

General Affairs Division Director Katsuhiro Nakagawa (Tokyo University, Law, 1965) is the hope of the Class of 1965. He is a true Fukuoka boy from Shuyukan High School, which was the fief school of the Kuroda fief. The excellent education he received from his childhood until graduation from high school is linked to his frank character that can be accepted willingly by anyone. At the time of the first great oil shock (1973), he was ordered from his position as assistant to the director of the General Affairs Division of the Pollution Safety Division director general to the Agency of Natural Resources and Energy's Petroleum Department to provide emergency support. For days on end, there were hard days spent working practically through the night, but he received a strong impression about the life of MITI: "Even now there are times when I remember that time." As the General Affairs Division director of the International Trade Administration Agency (1988), he spent his energy in bringing to fruition trade indusrance after the CoCom [Coordinating Committee on Export Controls] incident. His ability is given the seal of approval by the MITI leadership.

Tadashi Ezaki (Tokyo University, Law, 1965) entered MITI the same year as General Affairs Division Director Nakagawa. Many say he is a "man of ability." On the other hand, once he warms up to a person, he will open his heart and go into a consultation with him, revealing a glimpse of his thoughts for his subordinates. He is also a man of many hobbies: golf, go, deep sea fishing. He regularly came to see the changes of the period such as the merger of Yawata Steel just after he entered MITI and contributed to the launch of Japan's first space rocket at the time he was on rotation to the Science and Technology Agency's Space Enterprises Division.

Budgets and Accounts Division Director Yukio Doi (Tokyo University, Law, 1965) is an exceptional character who even has the experience of practicing Zen meditation at Enkakuji Temple and elsewhere when he was taken with Zen in his high school days at Toyama High. On the other hand, he was said to be an internationalist among those in his class and as then-MITI Minister Shintaro Abe's private secretary accompanied him overseas. His coming into contact with political circles at the time became a valuable experience that he has put to good use in the present. At his posting at Stockholm's JETRO [Japan External Trade Recovery Organization] office, he worked to eliminate Sweden's misunderstandings of Japan. When he was director of the Policy Planning Office, he had a hand in the Distribution Vision for the 1990's that was in advance of the loosening of restrictions in the Large Store Law. His foresight is excellent.

Policy Planning Office Director Kunio Morikiyo (Tokyo University, Law, 1965) is frankness itself. As the Agency of Natural Resources and Energy's Stockpile Division director of the Petroleum Department, he faced the change in Iran's government in 1978, but managed to create the blueprints for the national stockpile base in making full use of his natural and businesslike quikness. When he was Industrial Funds Division director, he developed fresh policies to cultivate a venture capital market and such. He is noticed as a unique character.

Research and Statistics Department Director Osamu Watanabe (Tokyo University, Law, 1964) from 1976 when he was director of the Minister's Secretariat's General Coordination Division, the Agency of Natural Resources and Energy period faced the problem of the creation of an "Energy Ministry." Taking the problem in hand standing at the head of the young bureaucrats, he spent his energy to avoid the crisis of MITI's administration. As "work is fun" is his motto, he is a nice guy who responds pleasantly to conversation anywhere. Management Division Director Minoru Harada (Hitotsubashi University, Economics, 1965) is director of the Administrative Affairs Office. Statistical Analysis Division Director Takeshi Inoue (Tokyo University, Law, 1967), when he was director of the Economic Cooperation Division, participated in four successive editions of the Economic Planning Agency's Economic White Paper and Economic Cooperation White Paper. In addition,

there is Commercial Statistics Division Director Tsuyoshi Ichiro Kiyomizu and Industrial Statistics Division Director Yukiyasu Matsuno.

Industrial Policy Bureau

The Bureau conducts all industrial policy. One can even say that it is MITI's far-rightwing bureau. It draws the basic lines of industrial policies and coordinates them with each MITI bureau. Other than that, the bureau also handles distribution, consumer policy, and price problems. It pulled together the relaxation of restrictions in the Large Store Law, which became the main theme in the bilateral SII talks.

Director General Yuji Tanahashi (Tokyo University, Law, 1958) is an influential man slated to succeed MITI Vice Minister Kodama. His father-in-law is former National Land Agency Director General Yukiyasu Matsuno, elected from Gifu's 1st District. Tanahashi was private secretary to Prime Minister Fukuda. As General Coordination Division director of the Minister's Secretariat, Tanahashi was close to MITI Ministers Yamanaka and Uno; he has many connections in political circles. He already has a grip on the entire ministry, so much so that he is called "emperor." In particular, rising through the ranks in the Machinery and Information Industries Bureau and working as Industrial Machinery Division director, General Affairs Division director, deputy director general, and director general, one of his strengths is that he is conversant in the administration of machinery and information.

Commerce and Distribution Councilor Teiichi Yamamoto (Tokyo University, Public Law, 1961) is optimistic and jovial. In the problem of relaxing restrictions on the Law Store Law, he was commended for his great service in standing firm for revising the law and not yielding to the U.S. demand to abolish it. In particular, it seems that it will be handed down in MITI that he played an important role in the line of the history of Japan's distribution. From the end of June, requested by the Science and Technology Agency, he assumed the post of Atomic Energy Agency director general.

Yuji Kiyokawa (Tokyo University, Law, 1965) at first glance seems fastidious and gives the impression that he is hard to approach, but in fact he is quite affable. He is a nice guy full of kindness. In 1979, as the first director of the Space Industries Division, he started the plan for a natural resources survey satellite.

Tsujio Ide (Tokyo University, Economics, 1967) is the second son of former Chief Cabinet Officer Kazutaro Ide. He has a reputation for sharp sense. When director of Gas Enterprises, he hustled on the problem of reducing the margin between the high yen and domestic prices.

Industrial Structure Division Director Masahiro Maeda (Tokyo University, Economics, 1966), whose motto is "Always think ahead to the day when you have to act quickly." When he was Foreign Exchange and Finance Division director, he revised the foreign exchange control law in relation to Toshiba Machine's COCOM incident.

Tadashi Omiya (Tokyo University, Law, 1967) shines even among the outstanding talents of the group dubbed the 1967 Flowers [reference to the officials who entered MITI that year]. In 1972, he participated in the great organizational reform that revised the law establishing MITI, creating MITI's present structure.

Mitsuyasu Iwata (Tokyo University, Economics, 1969) is a character who combines the qualities of coolness and decisiveness. When he was director of the Natural Resources and Energy Agency's Petroleum Stockpiling Division, he displayed his ability in supporting private reserves of 90 days and national stockpiles of 30 million kiloliters.

There is also International Enterprises Division Director Ryuhei Wakasugi; Price Policy Division Director Takayuki Suzuki, who is responsible for problems of domestic-foreign price differentials; and Trade Policy Division Director Takashi Nakanomiyo.

International Trade Policy Bureau

The International Trade Policy Bureau is the one that is responsible for foreign economies. Other than both the international economy and economic cooperation offices, the bureau carries such divisions as General Affairs, Research, The Americas-Oceania, and West Europe-Africa-Middle East. The bureau has just put together the final SII report, but the year-end Uruguay Round (multilateral trade conference) awaits as the next hurdle.

Director General Noboru Hatakeyama (Tokyo University, Law, 1959) is seen as certain to succeed Vice Minister of International Affairs Suzuki. He has left behind his success in establishing the "Accord Related to Trade in Aviation" at the time he was director of the Aviation and Ordnance Division. His achievement is called the model for the present trade in high-tech products. He is an able person rated second to none. In the SII talks as well, he entered negotiations as MITI International Vice Minister Suzuki's close partner. He is personally leading his men into battle in a desperate struggle at the Uruguay Round.

Deputy Director General Tomio Tsutsumi (Tokyo University, Law, 1962), when he was director of the Automobile Division, continued stubborn talks with domestic automobile manufacturers concerning voluntary export restraints (VER) to America due to the automobile problem between Japan and the United States. He realized a fair division [of the export share for each automobile manufacturer]. He is a competent man who has served as director of the Americas-Oceania and International Economy Divisions. He speaks in a calm manner and imparts an air of intelligence. He was designated International Trade Administration Bureau director general at the end of June.

Councilor Fujio Sakauchi (Tohoku University, Engineering, 1962) is on a rotation from the Science and Technology Agency. General Affairs Division Director Katsuo Seiki (Tokyo University, Law, 1965) is serious. He also has a single-mindedness of character, and inspires great trust within the ministry.

Americas-Oceania Division Director Hirobumi Kawano (Tokyo University, Economics, 1969) displayed his genius to the fullest extent as one directly handling the SII talks on the spot. Coming from the Tokyo University Yacht Club, he is intrepidness itself; his charactor is sportsmanlike and cheerful. West Europe-Africa-Middle East Division Director Tadakatsu Sano (Kyoto University, Law, 1969) who deals with the breathtaking changes in Europe, is in a post without rest for body or mind. There is also South Asia-East Europe Division Director Yuichi Okumura (Tokyo University, General Studies, 1971) and North Asia Division Director Tokio Katayama (Kyoto University, Law, 1969).

International Trade Research Office Director Hisashi Hosokawa (Kyoto University, Law, 1964) is an expert on the international economy. He also has experience within the international organ OECD (Organization for Economic Cooperation and Development). Managing international economic policy, he is a man of talent incapable of coming up lacking. Active in anything he does, he is, in the judgment of his subordinates, a "workaholic." Aiming for success in the Uruguay Round, he spends more of his super-busy days abroad than at home. His immediate subordinate is Senior Officer for International Trade Planning Hidehiro Konno (Tokyo University, General Studies, 1968). While possessing a ruggedly honest character, that he boasts an overwhelming popularity with business circles must be due to his skill and upfront character.

Economi[illegible]operation Division Director Yuriko Kawaguch[illegible]okyo University, General Studies, 1965) is the success[illegible] to former Division Director Noboru Kasuya, who died suddenly of an unfortunuate accident overseas. She has had experience at the Tokyo summit and elsewhere. There is also Senior Officer for Economic Cooperation Kazuhiko Tokita (Tokyo University, Law, 1968) and Technical Cooperation Division Director Hiroe Takahara (Tokyo University, Natural Resources Development, 1967).

Machinery and Information Industries Bureau

The bureau handles Japan's core industries such as machinery, automobiles, electronics, space, and defense. Within MITI it is the most strategic as well as one of the most motivated and important bureaus. Trade friction problems are concentrated in the bureau, which by itself is responsible for domestic and overseas policies.

There is talk that Director General Kosuke Yamamoto (Tokyo University, Law, 1959) holds the top score in the higher national civil servants examination. He is seen as a strong candidate to succeed Tanahashi as director general of the Industrial Policy Bureau, a way station to the post of MITI vice minister. Deputy Director General Yoshihiro Sakamoto (Tokyo University, Law, 1962) became Councilor for Commerce and Distribution at the end of June. He will put all his energy into tackling revision of the Large Store Law. General Affairs Division Director Katsusada Hirose (Tokyo University, Law, 1966) gets along well with those around him and does not give off a bureaucratic air. Electronics Policy Division Director Masataka Nakano (Tokyo University, General Studies, 1967) gives the impression at first glance that there is nothing remarkable about him, but it is said there is no one more effective. Automobile Division Director Takao Suzuki (Tokyo University, Law, 1967) is putting all his effort into avoiding friction between Japan and the United States over automobile parts and has put together a joint bilateral program.

Industrial Machinery Division Director Takeshi Itoyama (Tokyo University, Law, 1967), Data-Processing Promotion Division Director Ryozo Hayashi (Kyoto University, Law, 1970), and Aircraft and Ordnance Division Director Shinichiro Oda (Tokyo University, Law, 1969) are all outstanding talents second to none.

Basic Industries Bureau

As the global environmental problem of fluorocarbons shows signs of heightening with global warming in the background, the importance of the Basic Industries Bureau is being revised. At the same time, the materials sector with such processing industries as steel, petrochemicals, and aluminum are staging a comeback under the sustained economic expansion.

Director General Yuji Tanahashi (Tokyo University, Law, 1960), born in Tokyo's Negishi area, is a native of the capital. He judges himself to have "a short temper," but his character is suited for leadership and he is held in affection by his subordinates. In the problem of restricting fluorocarbons, he actively tackled domestic coordination. His background in energy is extensive and there was much talk of his becoming Natural Resources & Energy Agency director general, but he became director general of the Small & Medium Enterprise Agency at the end of June. His successor is former International Trade Administration Bureau Director General Masahisa Naito.

Councilor to the Minister's Secretariat Shuji Tamura (Tokyo University, Engineering, 1964) did a stint in the Office of the OECD (Organization of Economic Cooperation and Development) and has the experience of administering an international symposium on solar energy as Technology & Industrial Structure Division Director. General Affairs Division Director Masao Ishiguro (Tokyo University, Law, 1966), as the Natural Resources & Energy Agency's director of the Petroleum Refinement and Distribution Division at the time of the first oil crisis, is said to have realized fully the necessity of crisis management. Iron and Steel Administration Division Director Seiji Murata (Tokyo University, Law,

1968) is aiming for the revival of basic industries. Iron and Steel Production Division Director Ichiro Nakajima (Tokyo University, Engineering, 1970) is a close partner of Iron and Steel Administration Director Murata. Basic Chemical Products Division Director Jiro Amagai (Tokyo University, Economics, 1968) is typical of the activist MITI bureaucrat. Characteristic of the Basic Industries Bureau is that there are many directors of technical divisions such as Hiroshi Mitsukawa of the Nonferrous Metals Division and Director Masayoshi Hashimoto (Tokyo University, Science, 1967) of the Chemical Products Safety Division.

International Trade Administration Bureau

The International Trade Bureau, receiving the U.S. demands in the SII talks, continuously puts forth Japan's import promotion policy. Also, the bureau is actively participating—with the dramatic changes of the situation in the Soviet Union and Eastern Europe in the background—in relaxing CoCom restrictions.

Bureau Director General Masahisa Naito (Tokyo University, Law, 1961) is a strong future candidate for MITI vice minister. He ia also MITI's number-one United States expert. When the picture of the opposing positions at the U.S.-Japan SII talks grew dark, he predicted the present situation in saying that, "The United States' attention is already turning to [Western] and Eastern Europe, so [Washington] must wish to return quickly to a friendly mood with Japan for that reason." Deputy Director General Toshiomi Shono's (Tokyo University, Law, 1963) motto is, "Think positively." He is retiring on a high note at the end of June after turning the bureau toward loosening restrictions on CoCom. His successor is former International Trade Policy Bureau Deputy Director General Tomio Tsutsumi (Tokyo University, Law, 1962).

General Affairs Division Director Hisamitsu Arai (Tokyo University, Law, 1966) is a fine gentleman without any obnoxious points to him. Simply, he has a good reputation for the way he works. His administrative ability is superior. Export Division Director Ikusaburo Kashima is the contact man on CoCom issues. Holding his own in bargaining on the various ideas of the United States and Europe, he clearly expresses the Japanese position. There is also Import Division Director Masaharu Higuchi; Foreign Exchange and Trade Finance Division Director Kyonosuke Sasaki (Tokyo University, Law, 1968); Export Insurance Division Director Yoshio Ichiryu (Tokyo University, General Studies, 1968); and Long-Term Export Insurance Division Director Joji Hashimoto. Agricultural and Marine Products Division Director Hiroshi Ishimura (Tokyo University, Economics, 1971) is on a rotation from the Ministry of Agriculture, Forestry, and Fisheries.

Industrial Location and Enviromental Protection Bureau

It goes without saying that [the bureau has responsibility for] drafting policies on location industries and know how. The bureau plays the coordinating role in global environmental problems. Setting policy for the Global Restoration Project, the importance of its role along with the changes of the times is again being recognized.

Bureau Director General Sozaburo Okamatsu (Tokyo University, Law, 1965) is a second-generation MITI bureaucrat. He displayed superior coordinating ability in putting together the global revival plan. He receives high praise not only from within MITI but from the Prime Minister's Office and, furthermore, even from the United States and European countries. Deputy Director General Koshiro Goda (Tokyo Univesrity, Law, 1964) assists the director general. General Affairs Section Chief Masahiro Omura (Tokyo University, Law, 1965) became Kyushu Region International Trade and Industry Bureau director general at the end of June. There is also Industrial Location Guidance Section Chief Masatake Wada (Tokyo University, Physics, 1966); Industrial Facilities Section Chief Kazumori Iizuka (Tokyo University, Law, 1971); Pollution Prevention Section Chief Yukio Ishiumi (Tokyo University, Law, 1970); Safety Section Chief Yutaka Yamada (Tokyo University, Economics, 1968); Coal Section Chief Shunichiro Wakabayashi (Tokyo University Engineering, 1968); and others.

Consumer Goods Industries Bureau

The Consumer Goods Industries Bureau handles the textile, consumer goods products, and housing-related industries that are particularly related to the people's lives.

Bureau Director General Masaaki Nangaku (Tokyo University, Law, 1961) has long experience in the field of international economics, having taken on [G-7] summits, the GATT (General Agreement on Tariffs and Trade), the four-party commercial talks, and such. Councilor Shuro Karashima (Tokyo University, Law, 1964), has a straightforward character; he offers differing opinions unreservedly. He switched to the General Affairs Division Director of the Patent Office at the end of June. General Affairs Section Chief Tadahisa Abe has the role of coordinator within the bureau. There is also International Trade Policy Section Chief Shigeo Tanahashi (Tokyo University, Law, 1969); Raw Material and Spinning Section Chief Hiroshi Tsukamoto (Kyoto University, Economics, 1968); Textiles Products Section Chief Takao Hirosawa (Kyoto University, Law, 1969); Paper and Printing Industries Section Chief Satoshi Ida (Tokyo University, Economics, 1970); Cultural Products Section Chief Mitsutoshi Morita (Tokyo University, Law, 1961); Ceramics Construction Materials Section Chief Masami Tanaka (Kyoto University, Engineering, 1965); Housing Industry Section Chief Kenji Inaba (Kyoto University, Law, 1973); and others.

Agency of Natural Resources and Energy

The agency has put together an outlook for long-term energy supplies until the year 2010. In response to predictions of supply and demand for oil and global

environmental problems, the agency released a revision of its energy reduction policy that supports nuclear power generators to lower dependence on oil. One can say that this is a period of questioning the true worth of the agency in turning to the plan's realization.

Director General Masaji Yamamoto (Tokyo University, Law, 1959) retired at the end of June. His successor, Kenjiro Ogata (Tokyo University, Law, 1960) has a warm and prudent character. As his previous position was director general of the Science and Technology Agency's Nuclear Power Bureau, there are high hopes for his skill in promoting nuclear power. Deputy Director General Wataru Fukuzawa's (Tokyo University, Law, 1962) position toward work is sincerity itself. Councilor Junichiro Mukai (Kyoto Industrial Arts and Textile University, 1962), a technical officer, supports these two men.

General Affairs Section Chief Kuniyasu Takeda (Tokyo University, Economics, 1965) plays the role of collector for the entire agency. Evaluation of his coordinating power is high. Planning and Research Section Chief Saichi Nakazawa knocked himself by becoming the nucleus in establishing the revision in the long-term energy supply and demand outlook. There is also International Natural Resources Section Chief Masataka Sase (Tokyo University, Law, 1969); Energy Reduction and Alternate Energies to Petroleum Policy Section Chief Yukio Otsu (Tokyo University, Economics, 1968); Mining Section Chief Norikazu Matsuda (Tokyo University, Engineering, 1965), Atomic Power Industry Section Chief Kazumasa Kusaka (Tokyo University, Law, 1970); and others.

Small and Medium Enterprise Agency

At the beginning of this year, the spotlight was shone on MITI's Small and Medium Enterprise Agency. This was because the small and medium retail industry policies that would bear the brunt of relaxed restrictions of the Large Store Law came to surface rapidly at the present time as an issue for MITI.

Director General Nobutaka Kengaku (Tokyo University, Law, 1959) retired in June. Michinao Takahashi (Tokyo University, Law, 1960), who switches over from his last assignment as Basic Industries Bureau director general, continues the important theme [of devising policies to meet the challenge of eased restrictions on retail distribution]. As a great turning point in Japan's distribution system, it is not an exaggeration to say that the true value of what kind of handling to show is questioned. Deputy Director General Teiichi Nishikawa (Tokyo University, Law, 1963) seems to have become Takahashi's right-hand man and seems to be active in many fields. General Affairs Section Chief Hiroaki Enomoto (Tokyo University, Law, 1965) directs coordination with the Home Affairs and Construction Ministries. Research Section Chief Keisuke Mihara (Tokyo University, Law, 1975) also prepares a system of flanking support.

The Planning Division: Division Director Osamu Watanabe (Tokyo University, Law, 1964), on the job since the end of June, possesses the nerves not to worry about trifling things. There is also Planning Section Chief Susumu Shirakawa (Tokyo University, Economics, 1967); Finance Section Chief Takahiko Kondo (Tokyo University, Law, 1968), Promotion Section Chief Kaoru Nakamura (Tokyo University, Law, 1972); and others.

Guidance Division Director Kuroda (Doshisha University, Economics, 1963) came from the Economic Planning Agency. There is also Guidance Section Chief Masatoshi Toriihara (Tokyo University, Law, 1967); Organization Section Chief Jiichiro Fujiwara (Tokyo University, General Studies, 1971); and others.

The prior position of Tadashi Ezaki (Tokyo University, Law, 1965), director of the Small-Scale Industries Division, was MITI's Private Secretary Section chief. There is also Small-Scale Industries Policies Section Chief Tamon Kitabatake (Tokyo University, Law, 1967) and others.

Patent Office

They are pouring their energies into the Uruguay Round (the new multilateral trade negotiations) TRIP negotiations [part of current Uruguay Round GATT trade talks]. In particular, with the United States demanding in the SII talks an expansion in the number of patent examiners and such, the weight of their roles is increasing.

Director General Fumitake Yoshida (Tokyo University, Law, 1960) retired at the end of June. His replacement, Satoshi Uematsu (Tokyo University, Law), attained the top score in the higher national civil servants examination. The change in position is a 180-degree turn from his last job as JDA Equipment Bureau director general, but there are great expectations for him in the Ministry. There is also Chief Secretary Michinari Ozawa (Yokohama National University, Economics) and others.

Others

The main people attached to the Secretariat who are on the move are private secretary to the prime minister, Shigeki Kuwahara (Tokyo University, Law, 1966); JDA Equipment Bureau Director General Osamu Seki (Tokyo University, Law, 1962); Bank of Japan Policy Committee Member Makoto Kobayashi (Tokyo University, Law, 1961), Economic Planning Agency Price Bureau Deputy Director General Noriyuki Yonemura; Science and Technology Agency Nuclear Power Bureau Director General Teiichi Yamamoto (Tokyo University, Law, 1961); MITI Kanto Region International Trade and Industry Bureau Director General Mikio Kojima; MITI Kiniki Region International Trade and Industry Bureau Director General Tetsuo Nakata; and Kyushu Region International Trade and Industry Bureau Director General Masahiro Omura.

Plans for Expanding in Unified Germany Viewed

WA15100200 Tokyo SANKEI SHIMBUN in Japanese 3 Oct 90 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] The economic world is reacting furiously to the unification of Germany. Major manufacturers, banks, trading companies, and other companies are already drawing up plans to augment their offices and sales networks and are preparing for the emergence of a big market. As might be expected from factors like a recession in the United States and turmoil in the Middle East, Japanese enterprises are immersed in a difficult milieu, but they have great expectations concerning a unified Germany.

Aviation

The Japanese Government will reopen aviation negotiations in late October and extending into November with the unified German Government that was created on 3 October. Prospects are that a direct Berlin-Tokyo route may be realized as early as April 1991.

Germany has put forward Lufthansa Airlines, and Japan has put forward Japan Airlines and All Nippon Airways for the Berlin-Tokyo route. However, since the current Japan-Germany aviation agreement was concluded with the West German Government, there are no flights that extend from any point in Japan to Berlin. Therefore, it is necessary through Japanese-German governmental negotiations to either confirm this or reach a new understanding.

The problem is that if Berlin is added to a route from Japan passing over Siberia, it is anticipated that Germany will also demand another landing location in addition to Tokyo. Also, the consent of the Soviet Union will be necessary, so it appears that there are a number of hurdles before this becomes a reality.

Electrical Equipment

With the large firms as the nucleus, companies are moving ahead with plans to make inroads into what Sharp called this "huge dormant market," including establishing new operating bases in the city of Berlin. However, market activities have shown signs of torpor due to economic conditions following currency unification in July. The majority of companies have adopted a wait-and-see attitude and, like Hitachi, will "devote efforts for a while to gathering information on the markets."

In contrast, since with unification CoCom [Coordinating Committee on Export Controls] controls no longer apply to the East German region, IBM Japan has stated that "we will be able to enter the market, and we will aggressively develop commercial operations." Other computer and semiconductor manufacturers are planning the timing of their entry.

Matsushita has revealed plans for reciprocal supply of IBM compatible personal computers with Seimens, the largest West German computer company. With the focus on unification, the movement toward market expansion, such as the promotion of relations with affiliates, has become more active.

Banking and Casualty Insurance

The Bank of Tokyo opened a resident office in East Berlin at the beginning of June, and about the same time four banks—Sumitomo, Sanwa, Mitsubishi and Taiyo Kobe Mitsui—also established representative offices.

The reason for this is that, with their focus on advancing into the Soviet Union and Eastern Europe in the future and, having looked at all of Eastern Europe, the banks judge that East Germany has the greatest growth potential. Taiyo Kobe Mitsui Bank sources said, "Our pressing business is to gather information. In the future we want to aid Japanese enterprises going into joint ventures, etc."

Meanwhile, the major casualty insurance company, Tokio Marine and Fire, which is licensed in West Germany, by merely applying to the West German Federal Insurance Office can engage in business in East Germany. It thus is moving into the eastern region. Since Japanese firms are setting about building sales networks in East Germany, Tokio Marine's immediate plans are to exploit the demand for distribution-related insurance, such as freight insurance.

Automobiles

Nissan was the first company to promptly embark on expanding its sales and service network. It established 63 sales bases in East Germany. From June to September it raised its actual sales level to about 1,800 vehicles, and has worked out a plan "to increase its bases to 80 locations within the year."

Mazda and Mitsubishi also will augment their dealer networks to 50 to 70 in East Berlin and other locations. Focusing on small cars, Mazda is aiming for sales of "about 1,000 vehicles during this year." Mitsubishi and its group affiliate, Mercedes Benz, have plans to bolster the East German truck company, IFA. Mitsubishi Heavy Industries will provide technical cooperation. Toyota, Daihatsu, and Fujitsu have plans to complete their sales networks within the year. Honda, which will establish a resident office, also intends to "undertake building a dealer network as soon as possible."

Herewith follows a status report on major moves by Japanese firms focused on East Germany and Berlin:

Branches Established: JAL has upgraded its West Berlin business office, while Mitsubishi will open a branch in West Berlin in the fall. Mitsui and Marubeni reorganized their Berlin offices into branches on 1 October.

Business Offices Established: Japan Travel Bureau will open a Berlin office on 1 December, and Matsushita, Sharp, and Sony also will open offices.

Sales Network Construction: Toyota, Nissan, Mazda, Mitsubishi, Daihatsu, Fujitsu and Yamaha.

Resident Office Established: Honda, Bank of Tokyo, Sumitomo Bank, Mitsubishi Bank, Sanwa Bank, Taiyo Kobe Mitsui Bank, Tokio Marine & Fire Insurance (under consideration), Nippon Fire & Marine Insurance, Nomura Securities (West Berlin), Yamaichi Securities (under consideration), Nissho Iwai (West Berlin), and Obayashi Corporation (West Berlin).

* Need To Cultivate Asian Friends Seen

902B0230A Tokyo ASAHI SHIMBUN in Japanese 21 Aug 90 p 2—FOR OFFICIAL USE ONLY

[Interview with Seiji Tsutsumi, representative of Sezon Group; interviewer unidentified; date and place not given]

[Text] [ASAHI SHIMBUN] You seem to have emphasized investment in China, Taiwan, and Hong Kong. How do you perceive the trend of China after the Tianamen Square incident which occurred last June?

[Tsutsumi] "If you see only political phenomena, such as the Tianamen Square incident and criticism toward the Soviet Union's perestroyka, you will fail to perceive China's movement as a whole country. I think that it won't be a problem if I say that China will move gradually toward a market economy."

Took the Opportunity of Cultural Exchange

[ASAHI SHIMBUN] How did you initiate your relationships with China and Taiwan?

[Tsutsumi] "The first opportunity was a cultural exchange. I held a treasure exhibit and an exhibition about historic landmarks at a department store. I established a relationship with Konmei Plants Research Institute in China. I co-managed old streets and hotels within Beijing City, and within Canton Province, I also managed apparel factories. I am planning to co-manage a department store and a *Ryohanten* store this fall with a distinguished local corporation in Hong Kong. In Taiwan, I am using local capital and have plans to open a convenient store and a take-out chain. I did not plan on going into specific countries, nor did I plan how much business I would want to do. The business had expanded before I knew it."

[ASAHI SHIMBUN] Isn't it difficult to have relationships with Beijing and Taipei at the same time?

[Tsutsumi] "The elements of history, tradition, and tribal identity (origins) between these two countries are interwoven, and the Japanese people are not good at dealing with this kind of concept. Japan must understand the strong patriotic sense and the diversity in thinking in these countries. Japan also must understand that people in Beijing and Taipei recognize that political systems are dynamic. They understand political change. Many people, including those in Hong Kong and Taiwan are thinking that China, presently a communist country, will be different 100 years from now."

[ASAHI SHIMBUN] Will it take one hundred years even in the midst of radical changes in East-West relationships?

[Tsutsumi] "China will have a period of many kinds of reorganization. During the process of restructuring, anti-Japan sentiments may occur. Therefore, Japan has to calculate that, in the long run, she may fall into a difficult situation for a while. However, Japan won't be mistaken if it believes that China will become successful over the next one hundred years."

"In that respect, Hong Kong and Taiwan are less apt to change. For those who are concerned about a mid-term settlement of accounts, those countries are a relief. However, the degree of peace of mind and the amount of the profit are in inverse proportion."

[ASAHI SHIMBUN] Does it mean that China's future market is unimaginably attractive?

[Tsutsumi] "When we think about a scale of the domestic demand in China, there is a possibility that China's demand will surpass that of Japan in the field of domestic electronic appliances, cars, and small airplanes. Japan's economy will be better off if China remains a strict communist country. However, if Japan doesn't cooperate with China's modernization, then the European countries will. There are some risks involved if Japan doesn't act with the attitude of liberalized national awareness."

Expanding Business in Cooperation With Other Countries

[ASAHI SHIMBUN] Are there any special concerns about expanding business?

[Tsutsumi] "When I do business in Asia, I try not to do business with only Japanese capital. A business will be stable in case of political change, if the business starts with an international structure like Japan-France joint management or Japan-U.S. joint management; needless to say it will be more stable if there is joint management with local enterprises. People see that joint capital results in more secure and peaceful relationships."

"Being international not only means understanding the United States and the European countries through knowledge, but also, understanding the closer foreign cultures such as China and Korea, where Japan has more frequent contacts. If Japan feels that being international means being taught only by the developed countries, she would be seen as having a fatal weak point."

[ASAHI SHIMBUN] What do you think about Taiwanese athletes participating in the Asian Games this fall in Beijing?

[Tsutsumi] "Many people think that after the Asian Games, there will be some changes. Somebody told me that "present China resembles the Chin era." He meant that the Chin dynasty was ruled by minority Manchurians. And so is present China."

Japanese Who Have Forgotten the War

[ASAHI SHIMBUN] What do you expect in foreign policy toward China and other Asian countries?

[Tsutsumi] "One has to recognize the fact that Japan is isolated in Asia. Japanese people have completely forgotten how cruel they once were during the war. Any diplomacy lacking the nation's international conscience would be difficult."

Mr. Tsutsumi Hates Discrimination

"Japan is not loved in Asia." "You cannot develop a trustworthy diplomacy if the nation's international awareness has not grown." Mr. Tsutsumi speaks harsh words in a mild voice. He is the vice president of the Japan-China Trade Expansion Committee and the chairman of a civilian conference, "Asia Open Forum," an organization of scholars and businessmen in Taiwan and Japan. He aims to achieve "an equal distance diplomacy." He is a general manager of approximately 100 companies, including supermarkets and department stores. He is a representative of liberal economic world leaders in Japan. He is 63 years old.

Domestic Affairs

* Series Looks at Kaifu Administration

902B0220A Tokyo ASAHI SHIMBUN in Japanese 7-10 Aug 90—FOR OFFICIAL USE ONLY

[7 Aug 90 p 2]

[Text] The wind was warm. The place was Mabuni-no-Oka in Okinawa. The date was 23 June. When Prime Minister Toshiki Kaifu, making his first trip as a sitting prime minister to attend the Okinawan War Dead Memorial Ceremony, read his remarks of greeting to the people of Okinawa, the portion where he said "when I contemplate your pain I am beset by a thousand emotions at the same time that I reflect deeply on how sorry I am and I cannot hold back a feeling of great sorrow," diverged from the text prepared for him by the government speech writers. The prime minister first added "reflect deeply," during the flight from Haneda Airport in the morning and he improvised the "how sorry I am" as he made his remarks.

Mr. Seizen Kaneishi, private secretary to Mr. Kaifu often hears the prime minister say "I want to speak in the ordinary language of daily life." Even when the bureaucrats write the formal '*kakui*' (all of you) the prime minister always uses the less formal '*minasan*' (everyone) when he reads the words. That's the Kaifu touch.

According to an ASAHI SHIMBUN newspaper public opinion poll he has the third highest support rating of any of the postwar prime ministers. The question, "what kind of feeling do you have about him," elicited first, the response "he is young," which was followed in second place by "his speeches are excellent."

He always walks around with a ruled college notebook, and when he encounters phrases or quotes in books and articles that he thinks he can use in his speeches, he copies them down. When he became prime minister he had some 20 notebooks filled. He said to his secretaries immediately after assuming his post as prime minister "If I only had 40 of these!" Private secretary Akio Sasaki reports "He charms people by talking. He's a politician who gambles on that ability."

Dietmember Kozo Watanabe of the Liberal Democratic Party who has known the prime minister since their student days in the Waseda University Oratorical Society says "he was known for his debating ability from high school and it was like the entrance of the winning pitcher in the high school baseball tournament at Koshien Stadium." For example, he was really skillful at being the first to get hold of words that were not used much by students at that time, such as "necessary evil." But, I do not recall the substance of the speech or whether the prime minister was pro or con in the rearmament debate that was popular at that time. "It was a good feeling listening to the rhetorical flourishes that seemed to flow forth, and it's the same now. And that is why housewives at home in their living rooms approve. It's not the content."

What kind of images come to mind from the oratory of the prime minister? Democratic Socialist Party Secretary Keigo Ouchi says "softness like sponge cake." His view is that it is appropriate to an era where feelings are valued more than content.

We had the Terminology Research Group at the Japan Broadcasting Company's Broadcast Culture Research Institute listen to an hour's speech made by the prime minister where he had no prepared text. Deputy Director Takashi Yoshikawa's analysis was "It was like listening to music. The intonation was clear and the dynamics were obvious. But, even so, there were too many modifiers."

The special characteristics were that there were virtually no Japanese words borrowed from foreign terms. There were numerous repetitions and little actual information in the meat of the speech. You cannot refute what he says. He likes simple terminology and does not use the formal written speech of the government office. He separates each word from the other and maintains his persuasive powers.

Tokyo University Professor Emeritus Takeshi Ishida who has analyzed the contents of the speeches of the historical prime ministers says, "Mr. Kaifu uses a particularly large number of fuzzy terms, terms whose meaning is unclear." Therefore, when you listen carefully, it sounds like he is trying to avoid responsibility.

More than 1,000 little Japanese flags were waving on the morning of 29 July in Bisai City in Aichi Prefecture. The temperature was 28.5° C. After raising his right hand high in the air, the prime minister began to speak. It was his first trip back to his hometown since becoming prime minister and his first words danced with a rhetorical flourish.

"Until today I have gritted my teeth and continued to persevere with single-minded purpose. Though of little ability, I used all my strength, and from here on too, I will carry on for my hometown and for my country."

Top Ten Words Used by Prime Ministers in Diet Speeches

Prime Minister	1	2	3	4	5	6	7	8	9	10
Toshiki Kaifu	Economy	Society	The People	World	Politics	Daily life	Peace	Environment	Culture; Reform	
Yasuhiro Nakasone	Reform	Society	Economy	World	The People	Japan	Peace	Education	Stability; Politics	
Takeo Miki	Japan	Economy	The People	Education	Stability	Politics	Peace	The Government; The World		Society
Kakuei Tanaka	The People	Society	Economy	The Government	Development	Land	Peace	Daily life; Education		Prices
Shigeru Yoshida	The Government	The People	Economy	Finance	Peace	United States	War	Recovery	Nation	Diet
Hideki Tojo	War	Nation (Empire)	Great Britain	United States	The People	The Government	War results	Cooperation	Imperial armed forces	
Kei Hara	Government	Diet	Nation	Defense	The People	Law	Budget	Politics	Industry; Political Parties	
Hirobumi Ito	Government	Diet	Nation	Budget	Political parties	Politics	Constitution	The People	Emperor	Defense

Note: Data from Hirobumi Ito to Shigeru Yoshida is based on Tokyo University Social Sciences Report, *Content Analysis of the Speeches of the Prime Ministers* (1971). Data for Prime Ministers Tanaka, Miki, and Nakasone from administrative addresses. Data for Prime Minister Kaifu was extracted from the ministerial address and from expressions of his opinions.

[8 Aug 90 p 2]

[Text] *"Please support Toshiki Kaifu."* That was 30 years ago, when Mr. Kaifu first stood for election to the lower house of the Diet. This telegram was delivered to every one of the mainstays of the political support group backing the late dietmember from the Third District Of Aichi Prefecture, Kinsho Kono, whom Mr. Kaifu had served as private secretary.

Mr. Kono's widow, who carried on for him, served only one term and then retired. The struggle to become her successor was very bitter. Mr. Kaifu turned the discussion to his advantage by borrowing the name of then Dietmember Yasuhiro Nakasone, who in those days was popular for his dashing words and deeds and was known as "the young officer." It was none other than the young Toshiki Kaifu who thought up the idea. Of course, it was done without the permission of Mr. Nakasone himself.

"In those days Mr. Kaifu was rough." Old friends look back with fondness on that combative spirit of his.

Since then, for example, architect Kisho Kurokawa, an important figure in Aichi Prefecture, has spoken provocatively many times to Mr. Kaifu whose behavior calmed down considerably after he became a dietmember. Kurokawa said "just smiling isn't enough, you have to be prepared to knock down everybody if you aim to be the prime minister."

"Oh, is that so?" answered Mr. Kaifu. At that time Mr. Kaifu was fairly annoyed.

Last year, in London in the middle of October, Takeshi Umehara, head of the International Japan Culture Research Center had gone to the Embassy of Japan to give a speech and received an international phone call for him from Mr. Kaifu.

"My senior!" said Mr. Kaifu.

The prime minister who had been in office for two months absolutely wanted him to become the chairman of a personal advisory council called the "21st Century Roundtable," a concept he had refined.

Both he and Mr. Kaifu were graduates of the Tokai Middle school, a private school in Nagoya City. "Kaifu, Kurokawa, and myself were frequently called on to lecture to the alumni association. That's our connection. "Since Umehara had served as president of Kyoto Municipal University of the Arts, and had been involved with the founding of the Culture Research Institute, he had strengthened his connections to the prime minister who was one of the dietmembers interested in cultural affairs.

In April, the prime minister, receiving the report of the Election System Council recommending the introduction of a small election district proportional representation system said decisively he "would risk the fate of the cabinet." But, before that, Mr. Umehara was consulted by the prime minister who asked "What should I say?" He sent memos with such intellectual phrases as "I have crossed the Rubicon" and the like to the fax machine at the prime minster's official residence.

However, it appears the prime minister is not used to using the brain trust. When Korean President No Tae-u visited Japan at the end of May, Kaifu ultimately met No without conferring with his advisers first. "The president mentioned the Neo-Confucian scholars of Tsushima Fief in his speech and without a doubt this was suggested to him by Korean Minister of Culture and Information Yi O-rong (a professor at Ehwa Women's College). It would have been better if Mr. Kaifu consulted a little more with Japanese scholars beforehand. We could have helped him with a speech that would not be inferior to the Korean president's."

Aichi Prefecture Governor Reiji Suzuki said "We want to have the Longevity Research Center set up in Aichi at any cost." To which Mr. Kaifu responded, "I understand. I will speak to the chief cabinet secretary about it. It appears that Aichi Prefecture is the best location for it."

In the executive office of the prime minister's residence, immediately after taking office, the prime minister, who had received the appeal of the governor, spoke in clipped tones. The total cost exceeded 50 billion yen. This core facility of the Welfare Ministry, on a par with The Cancer Center (Tokyo) and the Circulatory Disease Center (Osaka), had been targeted for construction in Kyoto Prefecture by former Prime Minister Uno. Since Mr. Kaifu had reversed the decision and would move it to Aichi just three months after it had been decided, his reputation spread, "the prime minister is, as you would expect, very powerful" (an official of the prefecture).

But, even underlying this perseverance you can see the worry of the prime minister who is said by his younger brother, Naoki, to be "frank." "They are telling him all kinds of things such as it won't help our locale in the slightest. They've been laughing bitterly that at least this time he, Kaifu, would have to act."

Minoru Toda, a prefectural legislator who has known Mr. Kaifu for more than 40 years is entirely dissatisfied with Mr. Kaifu's style. "He doesn't turn out at all for the prefectural elections for those who are in his own political camp. He doesn't turn up in the seasonal gift-giving periods of Oseibo at year's end, or for Chugen at mid-year. It's a little unsatisfying. If he doesn't try to make greater efforts...."

[9 Aug 90 p 2]

[Text] A black government limousine glided into the prime minister's official residence and Minister of Finance Hashimoto appeared before the television camera lights.

It is a little past 9:00 PM on 27 June in the reception room of the official residence. This was a conference concerning the amount of money for Japanese public works in the Japan-U.S. Structural Impediments negotiations (Structural Impediments Initiative [SII]), which had reached their conclusion.

The prime minister: "How much higher can we go?"

Finance minister: "15 trillion yen. The United States will probably also agree to that amount.

At 10:40 the prime minister picked up the telephone receiver. "I'll have the minister of finance call the secretary of the treasury. He tells me the amount he indicated is final and is as high as we can go."

On the other end of the line was the White House. "I understand. Toshiki, I appreciate your efforts." President Bush understood instantly. This, with their having arrived at an understanding as the backdrop, was the fruition of the close cooperation between the real powers, former Prime Minister Takeshita and Secretary of State Baker.

There was also activity behind the scenes that cannot be discussed leaving out the Takeshita faction with its large component of dietmembers interested in public works, such as Chairman Shin Kanemaru. In any event, in form at least, the amount of public works expenditures of 430 trillion yen was settled in the discussion between the minister of finance and Secretary of the Treasury Brady. Those close to the prime minister emphasized that this was the "prime minister's political decision."

The truth is the minister of finance approached the prime minister by phone one time to discuss the issue just before calling at the official residence. But, the prime minister said "Deciding government policy over the telephone is unseemly. Let's discuss it at the residence." The main actor at the final curtain had to be the prime minister himself.

The next day was 28 June. The final SII report was accepted at the cabinet meeting. At 10:50 PM Mr. Nobuo Ishihara, the deputy chief cabinet secretary, began the explanation in the press room of the prime minister's residence .

"Concerning the expansion of expenses for public works, I heard all the opinions of the various government offices and weighed them, and then reported to the prime minister."

He then continued further. "The debate on amount itself centered mainly around the Ministry of Finance and was not indicated directly by the prime minister. "

The deputy chief cabinet secretary, who is in charge of the Secretariat's affairs, stands atop the government bureaucracy. On problems that straddle multiple agencies he undertakes coordination himself. He usually works behind the scenes.

After stepping down as vice minister of home affairs, Mr. Ishihara assumed the deputy cabinet secretary post in November 1987. He has had a relationship with Liberal Democratic Party (LDP) Secretary General Ozawa ever since he served as vice minister to Ozawa when Ozawa was minister of home affairs. Under the Takeshita administration he joined forces as deputy in the minister's secretariat with Mr. Ozawa who was responsible for parliamentary affairs. Today, with so many complicated problems that cannot be handled by one agency alone, his appearances to settle issues for the bureaucracy have increased.

From the start of the Kaifu administration up to this point, when you check the "Prime Minister's Movements" column in this paper for the number of times the prime minister has met with individuals on government business, you find that though Mr. Ishihara met with former Prime Minister Takeshita 128 times in the approximately one year and seven months of the Takeshita administration, in the one year of the Kaifu administration he has leaped up to a total of 221 times.

However his meetings with the prime minister are always brief. The prime minister leaves business to him saying "Whatever you do, be sure to conclude the matter well."

Of course Mr. Ishihara does not decide everything. It was Mr. Ishihara who, in consultation with the Ministry of Foreign Affairs and the Imperial Household Agency worked on the draft of the Emperor's "remarks" at the time of the visit to Japan of Korea's President No, but before that, the one who set a policy of "regret" was unmistakably the prime minister himself.

The prime minister seldom meets publicly with powerful members of the LDP. However, he confers frequently by phone with both Mr. Kanemaru and Mr. Takeshita.

Formerly Prime Minister Nakasone set major policy direction himself first, and then used the "top down" political method to thoroughly spread the policy to the ranks below. Prime Minister Takeshita was a leader who respected the independence of persons in charge of issues and entrusted things to them directly. Compared to these prior incumbents Mr. Kaifu resembles Mr. Nakasone in that he tries to make direct appeals to the people, but in actuality he is perhaps the type to depend on the bureaucracy, more like Mr. Takeshita.

[10 Aug 90 p 2]

[Text] It is 9 July in Houston, Texas where it is blazing hot. "This is Toshiki's first summit, make him welcome everybody." Host of the conference, President Bush, introduced the tense prime minister to the leaders of the other countries and the conference began. That the President winked warmly stimulated the prime minister's statements. On the next day, the 10th, he said " Let's get Toshiki to talk to us about Asia." When the summit ended Bush approached him and said "thanks for telling us about the Philippines.

"What did he make such a big thing out of that for?" was the response of the accompanying dietmembers, who were mystified, so impressive was the President's attention to Toshiki.

The Kaifu administration started a year ago on 9 August. At that point in time there was no mistake that the U. S. side was looking on uneasily wondering "how long will this government last?" Nobuo Matsunaga, who was then Japan's ambassador to the United States, says the White House asked him whether "foreign relations will be alright?" At that time the ambassador responded "the economic ties between the United States and Japan were deep. This is not an era where national relationships will be moved by personal leadership." The prime minister, who had no achievements on the foreign affairs front, had no basis for making a decision on what kind of relationship to forge with President Bush.

"The increased closeness between the two of them occurred after the March meeting in Palm Springs" is the view of everyone around the prime minister. Assured that the LDP had preserved a stable majority in the February elections, the President invited the prime minister to this resort on the West Coast. After ending a round of discussions on the golf course, the prime minister who had gone back to his lodgings was relieved. "Boy it was really good that I came." Those around him took from his expression that he got the feeling that "the United States would support the Kaifu administration.

At the same conference the president strongly pressed for a "political decision" and for moving the SII talks forward. Ten days later, Bush asked Mr. Takeshita, who visited the White House, for his "earnest cooperation in Japanese domestic coordination of the SII," and said he was one with the Kaifu administration and for the administration to continue.

Dealing effectively with pending questions in the Japan-U. S. relationship and being able to display Japan-U. S. cooperation have become necessary elements for the United States to maintain its leadership in the world during this period of upheaval. It would be a problem for the United States if the Japanese Government was to be tottering excessively.

For the prime minister, that kind of U. S. "support for Kaifu", had the effect of being able to stave off the real powers within the LDP who would watch "for an opportunity." Statements of high praise from President Bush, such as he is "a dynamic new leader," he's different from Japanese leaders heretofore," and "we value our mutual trust" reverberated well in the ears of the prime minister. However, precisely because of the praise there are important figures within the Ministry of Foreign Affairs who see danger signals. "If you flatter the prime minister he will listen to anything you say and he probably won't watch his step."

On the morning of 6 July Tsutomu Haneda and others of the LDP who would travel to the summit in a few hours on the plane called on the prime minister at the executive office. The prime minister had come to get the opinions of the dietmembers with agricultural interests within the party who were worried whether he would be able to steadfastly reject the strong demands that would be made by the United States for Japan to open the rice market. Representative Haneda said:

"The demand for the liberalization of the rice market comes down to the long-term question of Japan's mainstay food supply. You should make Japan's assertions boldly on this point."

For the prime minister, Mr. Haneda is a personage of some significance because he is able to be an "interpreter" of the real will of former Prime Minister Takeshita and Shin Kanemaru former deputy prime minister who were both secretly supporting the prime minister within the LDP. The prime minister listened attentively saying yes, yes, to the advice. The Kaifu administration has the support of powerful forces in the LDP backing him, and he has a favorable relationship with President Bush to bolster him, but if he handles the rice question poorly he will inevitably find himself squeezed between the LDP and the United States.

YOMIURI Series Assesses LDP Factions

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[Editorial Report] The Tokyo YOMIURI SHIMBUN in Japanese on 12, 13 and 15-17 August carried a five-part series of articles assessing generational changes within the five major factions of the Liberal Democratic Party [LDP]. The installments respectively assess the Takeshita, Miyazawa, Abe, Watanabe (formerly Nakasone), and Komoto factions.

Takeshita Faction

The 12 August article begins by focusing on the friction between Noboru Takeshita, the former leader of the faction and prime minister until his resignation last year, and Shin Kanemaru, former deputy prime minister, current leader of the faction, and one of the LDP's most powerful politicians. According to the article, there have been rumors of friction between the two since Takeshita stepped down last year and Kanemaru became faction leader. One added reason for recent friction has been Takeshita's activities aimed at a political comeback. In recent months Takeshita has stepped up the number of speeches and interviews given and has undertaken several trips abroad, activities widely seen as paving the way for a "return to the political arena." Kanemaru has viewed these moves with some "alarm," the article notes, not only due to his "subtle antagonism" toward Takeshita but also because Takeshita's reemergence will complicate generational leadership changes within the faction.

The faction's leading candidates to be LDP president and prime minister are Ryutaro Hashimoto, 53, currently finance minister, and Ichiro Ozawa, 48, LDP secretary general. Kanemaru "completely" supports Ozawa, and the two have forged an alliance and developed a "Kanemaru-Ozawa line" for the faction. Some key senior and younger faction members even openly talk about an "Ozawa government." The article notes Takeshita is "negative" toward Ozawa taking over as prime minister when Kaifu steps down, and faction leaders linked to Takeshita criticize the Kanemaru-Ozawa alliance as "Ceausescu fascism." Some faction officials close to Takeshita are floating the idea that, by a process of elimination, if Prime Minister Kaifu resigns in the autumn of 1991, if LDP factional leader Shintaro Abe's health worsens, and if "no one else is available," Takeshita could become prime minister again.

While the Takeshita-Kanemaru rivalry has already created "subtle fissures" within the faction, its present preoccupation is what will happen if Hashimoto should be dropped as finance minister in the next cabinet reshuffle and resumes activities within the faction. The article notes this would intensify inter-factional divisions, particularly opposition to leadership by Kanemaru and Ozawa, and also would affect Takeshita's future intentions.

The article quotes Tsunezo Watanabe, secretary-general of the faction, in describing how the faction holds together: "For us, Takeshita equals Kanemaru, and Kanemaru equals Takeshita." It concludes that the faction will face its moment of truth when relations between Takeshita and Kanemaru change further, and when the wave of generational change actually begins.

Miyazawa Faction

Recently, Kiichi Miyazawa (70) has stepped up public activities to position himself as a front-runner in the LDP race to succeed Kaifu. According to a faction leader, Abe's poor health has removed him from consideration, and this presents an opportunity for Miyazawa. But to hold his faction together, the second installment notes, Miyazawa must content with the growing rivalry between Koichi Kato and Yohei Kono, his two most influential lieutenants in the faction.

Although Kono at 53 is only two years older than Kato, their struggle for leadership has been cast as a "cold war between generations." Kono, former director of the

Science and Technology Agency and a well-known figure within the LDP, denies that he is vying with Kato. According to the article, Kato replies that "Kono appears to be a money collector for people of the older generation (those born in the Taisho Era). In fact, it is not Kato versus Kono, but the 'Kato generation' versus 'the generation born between 1912 and 1935.'" The article notes that while Kato is often mentioned as a strong candidate to succeed Miyazawa as faction leader, LDP elders and others do not see Kato achieving this "for 5 or 10 years at the earliest." This is because faction leaders born in the Taisho Era fear "they will lose their turn at leadership" if Kato and people from his generation, born between 1934-44, rise to faction leadership positions.

Abe Faction

Due to the health problems of Shintaro Abe, leader of the second largest faction within the LDP, a four-way struggle for power has emerged within the faction. The third installment quotes a member of the Miyazawa faction as stating that "the struggle to succeed Abe from within the faction has already begun in earnest." The contenders, referred to as the "four heavenly guardians" of the faction, are Mutsuki Kato (64), chairman of the LDP's Policy Research Council; Hiroshi Mitsuzuka (63), secretary general of the faction; Yukio Mori (53), former education minister; and Masajuro Shiokawa (68), former chief cabinet secretary.

In mid-July a rumor circulated within the LDP that Shiokawa would soon be promoted to be acting chairman of the faction, and that Abe had abandoned the idea of trying to become prime minister. The article notes that members of other factions speculated that since Kato, Mori, and Mitsuzuka had been canvassing faction members for personal support, "perhaps Abe is considering Shiokawa, who is the oldest of the four heavenly guardians and has no ambition for power, as his successor." The rumor proved to be untrue, but a Watanabe faction member observed that "the only one who will control the faction after Abe leaves the scene is former Prime Minister Fukuda," who is 85. This would turn back the hands of the clock, the article observes.

On 13 August, Abe gave a press conference in his hometown in Yamaguchi Prefecture and made the following comments on his medical problems: "My confidence in my health has been restored. They have let me fully rest during July and August, and in September I can resume activities. I should have recovered from my illness. I'll give it my best."

Aside from the issue of his health, the article concludes by questioning how long Abe will be able to "resist the swell for generational change" within the faction, terming this problem the "key" to predicting the future Japanese political situation.

Watanabe Faction

The fourth installment begins by observing that the end of August marked six months since Michio Watanabe (67) formally replaced former Prime Minister Nakasone as leader of the faction. Nakasone's recent return to the faction threatened to further crack the weakened foundations of the faction, particularly since Watanabe was most reluctant for Nakasone to return. Watanabe commented at the time, "I won't stand for him coming back and interfering again with the faction's personnel." But, the article notes, Nakasone's return has helped cement the faction together, and Watanabe's "confidence in managing the faction" has grown.

Disagreements over political strategy are tinged by a generational power struggle, the article notes. Watanabe, who is close to Shin Kanemaru, suddenly has also become close to Miyazawa. They likewise have been cooperating with the Abe faction to work out the post-Kaifu succession.

Due to Abe's poor health, a group around Watanabe and Taku Yamasaki, deputy secretary general of the faction, is cooperating with the Miyazawa faction behind the scenes. But Toshio Yamaguchi, secretary general of the Watanabe faction, has criticized moves made by the Michio Watanabe-Yamazaki group, as has a group close to Nakasone that includes Koko Sato (62), deputy secretary general of the LDP.

Handling friction within the faction is a major headache for Watanabe. He did not help himself by reversing his stand that elected politicians should retire at 70. At a faction meeting in July, which also marked his 67th birthday, the article notes that Watanabe retracted his call for the age limit. "That statement was made due to an excess of youthful vigor. I would revise it." Thus, the article concludes, the faction's plan seems to be to sit back and wait for an opportunity to gain power, while the subject of generational change is only "whispered about."

Komoto Faction

The LDP's smallest faction, headed by Toshio Komoto, has exerted maximum efforts to support Prime Minister Kaifu, who is a faction member. The concluding article observes that beyond cheerleading, the faction itself has little effect on political events, since Kaifu depends on the Takeshita faction, particularly Kanemaru and Ozawa, for support and direction. The major concern for the faction is whether Kaifu will be reelected LDP president and prime minister next autumn. But some faction members state that "even if Kaifu gives up the prime ministership, he won't make a comeback within the faction," and "even if he returns to the faction, it won't be as its leader but as an adviser."

The other concern of faction members is what will happen when Komoto retires. One member observed that the faction "runs the risk of splitting up," since there does not appear to be any younger leader capable of stepping forward to lead the faction.

*** Mysterious Dealings of Ozawa, Yamaguchi**

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[Article by Keiji Onuma]

[Text] Politicians are attracted to the "trillion-yen assets" of a hotel magnate said to be a second Osano, with whom The Long-Term Credit Bank of Japan and Mitsui Trust & Banking Co., Ltd. are also deeply involved. This man also appears intermittently behind the scenes in the Japan-U.S. telecommunications dispute and in the acquisition of golf courses.

Giant From Back Streets of Tokyo

Amid the strengthening of the relation between land and stocks—the two biggest ways to make money—on the one hand, and politicians, on the other, yet another child of the gilded age has arisen, a man said to have built a giant trillion-yen empire.

His name is Harunori Takahashi, the head of EIE Group, which, along with (Shuwa, Azabu Jidosha and Dai-Ichi Fudosan), is considered one of the "Four Kings of Overseas Land Speculation."

Though such stories are often circulated about these children of the speculative economy, it has been rumored that Takahashi has close connections with Liberal Democratic Party (LDP) Secretary General Ichiro Ozawa, former Labor Minister Toshio Yamaguchi and former Foreign Minister Shintaro Abe.

Before touching on the relationship between Takahashi and the politicians, let me sketch for you the character and scale of Takahashi's assets.

Since 1986, in Australia he has bought the Regent Sydney, a 36-story hotel for 16.6 billion yen, and the Sanctuary Co-op, a 350-room establishment with a golf course, for 52.7 billion yen; in Hong Kong, the 90-story, twin tower complex known as the Bond Center Building, worth 25.2 billion yen; in Tahiti, three hotels including the Hyatt Tahiti worth 19.4 billion yen. Then, in Italy he purchased the most luxurious hotel in Milan, The Regent, for 12.6 billion yen. In the United States, he is spending 42 billion yen to build a 46-story hotel, the Regent New York, in Manhattan.

From the above alone, I think one can understand just how much Takahashi has put into buying hotels and resorts overseas. From statements by his participating banks and from news reports alone, the total amount of his investments easily exceeds 3 trillion yen.

Yet in contrast to his ostentatious action abroad, not much has been said about the exact nature of EIE Group itself.

About all that is known about the company—which issues stocks—of which Takahashi is the chairman is that, according to the corporate registration, it is a trading company dealing in the export, import and marketing of computer peripherals, and that its affiliated company EIE International is involved in a wide array of real estate and leisure businesses both domestically and overseas. But what surprised me is that Takahashi, who is virtually unknown in Japan, is mentioned quite frequently in the overseas media.

THE AUSTRALIAN, for example, wrote of "the giant from the back streets of Tokyo," while BUSINESS WEEK of the United States reported sensationally about "the man with the $7 billion debt."

Such publicity is in direct contrast to the media coverage given Takahashi in Japan.

Just what kind of conglomerate is EIE Group, anyway? The lack of information merely whets one's curiosity. But before exploring an answer to that question, let's take a brief look at the man himself.

Takahashi was born on 9 October 1945 in Hirato, Nagasaki Prefecture, where his family had been evacuated to escape Allied bombing; he was the second of two children (both boys). He entered the Keio schools from kindergarten and stayed through high school, but was expelled from the high school when it found out that he had been involved in the sale of tickets to political fund-raisers. He switched to Setagaya Gakuen, a Buddhist-affiliated private high school, and eventually entered Keio University, Faculty of Law. In March 1968 he graduated from Keio and entered Japan Air Lines Co. (JAL). But in March 1977 Takahashi submitted his resignation. Says a friend who knew him well at this time:

"After he was assigned to the international passenger section of the firm, he was sent to work in New York. But it seems he wasn't temperamentally suited to dealing with customers. It seems he wanted to do something creative, to do work involving actually making something. I think that is the reason he quit the company."

Takahashi had worked at JAL for nine years.

He then immediately went to work for his father at the latter's firm, EIE. In less than a year he was vice president of the company and appointed president of the group's real estate company, EIE International (he is now chairman of that company).

Actually, one key to Takahashi's personality exists: His marriage to Shigeri Iwasawa in 1973, when he was still working for JAL. Shigeri's father, Yasushi, was once president of Hokkaido Television and was known as "the emperor of Hokkaido." Perhaps because Takahashi's father-in-law did everything with a splash, Takahashi's wedding is said to have been a sumptuous affair attended by such big-name politicians as the late Hirohide Ishida, a former labor minister, the late Takeo Miki, former prime minister, and Takeo Fukuda, another former prime minister.

Iwasawa, who was in his prime at that time, was said to be a corporate raider, but he speculated in stocks with his right-hand man, Ko Kato, lost heavily, and disappeared, leaving a total of 45 billion yen in debts. He has remained missing to this day.

But to Takahashi, his father-in-law's existence was an influential factor. The remark of a political commentator who knew Takahashi well at the time is tantalizing:

"It was at that time [when Yasushi Iwasawa disappeared], that Takahashi, in direct imitation of his father-in-law, began investing in stocks. He must have borrowed about 5 billion yen from his father-in-law, who was in his heyday at the time. To hear Iwasawa tell it, Takahashi had a really good eye for such investments, so good that I've heard it said he is the shrewdest investor to come along since Kenji Osano."

It's probably a safe bet that the talent for stock investments that Takahashi was later to display was nurtured during this time. Takahashi's marriage to Shigeri was a turning point in his life.

Another turning point was the network of high-powered connections afforded by Takahashi's own father, Yoshiharu.

The elder Takahashi died in 1985, but as the direct descendent of the feudal rulers of Matsuura (which included present-day Hirato) he was connected to a wide circle of powerful political figures. This is a point that is worth bearing carefully in mind.

Yoshiharu participated in the founding of Japan Educational Television (now Television Asahi); he was said to be a favorite of Kineji Miura (now deceased) and so reportedly widened his acquaintance with the political world. It was Yoshiharu who introduced politicians to Iwasawa as well.

So it is safe to say that Harunori's connections with politicians sprang from both his father and his father-in-law.

Politicians Aid Takahashi in Motorola Issue

Recently, an issue arose that aptly symbolizes Takahashi's virtually inseparable connection with the politicians.

In June 1989, Takahashi's name suddenly surfaced amidst backstage negotiations between Ichiro Ozawa, who was dispatched as a special envoy from the Japanese Government, and Carla Hills, the U.S. trade representative, over the issue of telecommunications, which had been fought over furiously in the Japan-U.S. Structural Impediments Initiative (SII) talks. These negotiations were demands by the United States that Japan open its telecommunications market. They were resolved by Japan agreeing to accept Motorola's mobile telephone as the domestic industry standard. At that point, Takahashi tried to have Japan Portable Telephone Co., Inc. [Nihon Teikei Denwa], an enterprise he had established two years earlier together with Yoshio Abe, the president of Orient Corporation, Japan's biggest non-bank bank, chosen as the company that would connect Motorola's portable telephones with ordinary circuits.

"The portable telephone business, by some estimates, is said to be a 5-trillion yen market and a source of massively lucrative business concessions," said a top manager at a major investment consulting firm. "It's even been said that Shintaro Abe had a hand in establishing Japan Portable Telephone."

As it turned out, the Japanese company chosen to hook Motorola into the circuits was IDO (Japan High-Speed Telecommunications), an affiliate of Toyota Motor Corp., and Takahashi's plans came to nothing.

Still, Takahashi was loath to give up his foray into the electronic telecommunications business. After all, it was to enter that business that he worked on Abe and did everything he could to establish Japan Portable Telephone. It appears that for this very reason he needed to draw closer to a more influential politician than Abe in the telecommunications industry and gain a concession in the market.

As a political analyst who has set up an office in Tokyo's Nagatacho district points out:

"LDP Secretary General Ozawa is a politician of large stature in the telecommunications business. To get on friendly terms with a 'boss' such as this means to come into a lot of money. To Takahashi, who had already been shut out of the market once, getting close to Ozawa would be the best way to tap into the most lucrative concessions. So Takahashi quickly drew close to Ozawa probably out of a desire to gain such concessions in the future."

The portable telephone market is said to be one that will expand to 3 million portable phones in the next five years, and Takahashi badly wanted to get his hands on it.

In any case, it is likely that Takahashi had thought of deepening his relationship with Ichiro Ozawa.

He has close connections with other politicians as well, including Representative Keisuke Nakanishi of the Takeshita faction; through his father, he has been friendly with Representative Toshio Yamaguchi since the days when Yamaguchi was former Labor Minister Hirohide Ishida's secretary.

Takahashi, for his part, has acknowledged these connections:

"Yamaguchi and I are good friends; we once had adjacent condominiums in the Sanbancho district of Tokyo," he has said.

Yamaguchi, too, used to call Takahashi "Norichan," an intimate form of address. It is even said that in fact it was Yamaguchi who started Takahashi on the road toward amassing his 1-trillion-yen fortune. It is probable

that at this stage the two became fast friends, like former Prime Minister Kakuei Tanaka and Kenji Osano.

Takahashi now owns five golf courses in Japan, but it was the two at Kimitsu and Utsunomiya that gave him his opportunity to expand his assets.

"I've heard that, when the Kimitsu Golf Club and Royal Meadow Golf Club (in Utsunomiya) were established in 1987, it was Representative Yamaguchi who provided the financing and pulled strings to get the permits," said a manager at a major city bank. "Golf courses are a major asset in themselves, and if the story is true it would be like Yamaguchi having guaranteed Takahashi's creditworthiness to a bank."

Further, when the price of stocks of public utility companies affiliated with NTT skyrocketed in 1985-87 just before NTT was privatized it was rumored that, along with Cosmo Eighty President Masaru Usui, Toshio Yamaguchi and Harunori had a hand in the matter.

"They Went to a Casino"

An issue that this Takahashi does not like mentioned arose during Golden Week this year.

When Ozawa went to Australia and New Zealand, he stayed two nights at a hotel bought by Takahashi. Moreover, it is said that, in Australia, Ozawa used a Boeing 727 jet that Takahashi had chartered for his (Takahashi's) own personal use. Says a local hotel industry source, in corroboration of the story:

"The hotel was the Hyatt Regency Sanctuary Cove. They stayed two nights there. In the hotel register, in addition to Ozawa's name there were four others: Representatives Kanezo Muraoka, Tatsuo Ozawa, Keisuke Nakanishi and Ozawa's secretary, Takashi Mizoguchi."

Takahashi built and developed Sanctuary Cove, which consists of detached three-bedroom condominiums. It is situated in a prime location facing an inlet on Australia's eastern Gold Coast.

The group played golf from morning to night, apparently. But after the extended holiday was over, it was rumored in the environs of Nagatacho that Ozawa and his friends had gone to Australia to gamble.

Ichiro Ozawa, Tatsuo Ozawa, Kanezo Muraoka and Keisuke Nakanishi had been known to be avid mahjongg partners for some time now, and it was said that the four left Japan for Australia with mahjongg tiles in hand. Although there can be no doubt that the four gathered around the mahjongg table while in Australia, it is also true that 20 minutes by car from the Sanctuary Cove where they stayed the nights of 28 and 29 April there is the Conrad International Hotel.

This hotel is owned by yet another Japanese real estate magnate named Shuji Yokoyama, president of Daikyo Inc., the big condominium builder. The Conrad International Hotel has a casino named Jupiter, a 108-table facility open 24 hours a day. There are another 740 video and other machines, and the place can hold well over 2,000 guests at a time. It is said that Wing Co. President Jiro Tomijima, whom Koshin CEO Kozo Kotani took as an ally in his takeover of Kokusai Kogyo Co., Ltd., an aerial surveying firm, also frequents the Jupiter.

The owner of a Japanese restaurant near the Jupiter has said that he saw Ozawa's party at the establishment.

So rumors of Ozawa's gambling, slight though they are, may have some basis in reality.

"Muraoka doesn't go to casinos, so we don't know what happened there," says a spokesman from Muraoka's office.

"I was with Ozawa the whole time, and there's no truth to the story that he went to a casino," says Ozawa's secretary, Takashi Mizoguchi.

Of course, one would not expect Ozawa, the virtual number two man in the LDP, to frankly answer that he had been gambling, if in fact he had been. But upon close questioning, one representative who was with Ozawa in Australia says that the group did go to the casino, but only on a tour of the facility by the manager, then they left.

So the story is that they did enter the casino but did not gamble; I myself find this explanation hard to believe.

Be that as it may, it is clear that Takahashi is closely connected with the politicians in more than a casual capacity. Like Kozo Kotani, whose name was much bruited about as the moving force behind the takeover of Kokusai Kogyo, and Shigeru Kobayashi of Shuwaa firm that rose to prominence by its acquisitions of overseas real estate, businessmen-pirates almost always have some fishy connection with politicians and bureaucrats. Takahashi's dealings surpassed even those of the above-mentioned characters, and for that very reason it appears certain that he had begun cultivating ties to the political community.

Number of Affiliated Firms Swells to 100

Until 10-odd years ago, EIE had sales of no more than several hundred million yen. How did such a slender company as this grow into an enterprise written up in an international economic magazine, BUSINESS WEEK? The entities that Takahashi inherited from his father numbered no more than one or two firms. By what secret did he swell this inheritance to the proportions of a giant conglomerate, an umbrella organization with almost 100 companies involved in everything from real estate and hotels to information services, shipping and finance?

At present, EIE Group consists mainly of overseas hotel and real estate development businesses; domestically, it is active mainly in golf course development, electronics and finance. As will be mentioned later, EIE International takes the lead in procuring the necessary funds for

all these businesses. In other words, the core of this 100-company outfit is the joint stock company EIE International.

I got an appraisal of Takahashi's business methods from a manager of a major city bank who has carefully observed those methods for some time now.

"EIE International's borrowings have increased tremendously over the last several years," the manager said. "So I think the speculative economy—the boom in land and stock prices—helped them. So long as they could get money from any place—non-bank banks, even local finance companies—they could make as much money as they wanted.

"In other words, as long as they have money, they can buy something—anything, a hotel for example—right away. Then they turn around and use that property as collateral for the next loan. It doesn't matter if interest rates are up or down; their stake in the underlying stocks and land increases naturally with the passage of time, so they can expand their holdings indefinitely. It is a fact that an unparalleled super-abundance of money has helped them."

Debts Totaling 300 Billion Yen

But even this explanation does not have the power to illuminate how it is that Takahashi today has such extensive holdings. To get a fuller answer, a public accountant provided the following suggestion:

"Why don't you get your hands on EIE International's settlement of accounts documents? You should then see a really extraordinary example of alchemy at work," he said.

But EIE International, capitalized at 1.1 billion yen, is not listed on the stock markets; it is privately held, so there are no public documents on it. It has not filed a securities report with the Kanto regional office of the Finance Bureau of the Ministry of Finance. At that point I attempted to contact the company directly for this information but was rebuffed. A secretary who spoke for Chairman Takahashi, who was visiting Fiji, Tahiti and Hawaii, rhetorically asked me if there was anyone who ever gave a straight answer when asked about his assets and liabilities. So the settlement of accounts, which indicates how a company is performing, remains shrouded in a veil of secrecy.

But there are other ways to find out how Takahashi gets his funding. Once the banks with which EIE International has dealings are known, it should be possible to find out how much EIE has borrowed from that bank, what types of businesses it is engaged in, its assets and liabilities, and perhaps whatever alchemy exists.

At this point I came into the possession of EIE International's July 1989 settlement of accounts statement and list of its borrowings through a major city bank. These are just pieces of paper with lines of figures written on them, but they contain vital information about the company.

EIE lists debts of 290 billion yen; of these debts, 285 billion yen are borrowings.

"About eight years ago they applied here for financing," says the manager of a major city bank. "I remember that we turned them down because we couldn't get a clear idea of what they were about."

But through skyrocketing land and stock values, the same company that the bank turned down now has enormous sums of money at its disposal.

EIE's major creditors (and the amounts owed them rounded to the nearest billion yen) are as follows:

EIE's Debts

The Mitsui Trust & Banking Co., Ltd.	56 billion yen
The Long-Term Credit Bank of Japan, Ltd.	39 billion yen
The Mitsubishi Trust & Banking Corp.	13 billion yen
The Sumitomo Trust & Banking Co., Ltd.	10 billion yen
The Loan Trust Bank of Japan	8 billion yen
Nisshin Kisen Kaisha, Ltd.	13 billion yen
Japan Landik	12 billion yen
Daiichi Household Finance	10 billion yen
Chiyoda Finance	11 billion yen
Japan Foam Finance	13 billion yen
Japan Lease	9 billion yen
Pacific Mortgage	8 billion yen
Kyushu Lease Service	7 billion yen
Tokyo Kyowa Credit Union	4 billion yen

In addition to these, EIE has received unspecified "miscellaneous monies" and small-lot financing packages of 1-2 billion yen from numerous finance companies.

The first question that comes to mind upon seeing these numbers is, why have the big banks and non-bank banks financed a firm capitalized at no more than 1.1 billion yen at the most to the tune of some 285 billion yen? No matter how much one lays the blame for corporations' bloated hidden assets on the skyrocketing land and stock prices that should rightfully be called the illegitimate children of the Nakasone era, the financing made available to EIE can only be called abnormal.

Likewise, it should be noted that, on a per-bank basis, the banks have only financed Nisshin Kisen and EIE Co.—the major shareholders in EIE International—in the extremely small ranges of 2-3 billion yen apiece. In other words, in contrast to the limited financing made available to the listed firms Nisshhin Kisen and EIE, one

has to wonder why EIE International—which is not even listed—has been financed at massive levels of 5- and 10-billion yen chunks.

Typical of EIE International's banks is The Long-Term Credit Bank of Japan. It has lent EIE 39 billion yen itself directly. But in fact Dai-ichi Household Finance, Japan Landik, Kyushu Lease Service and Japan Leasing Corp. are all subsidiaries of the bank. So in fact The Long-Term Credit Bank has lent EIE 86 billion yen. To an outsider it may look like Mitsui Trust & Banking is EIE's main bank, but actually it is The Long-Term Credit Bank that is EIE's main backer.

The Ministry of Finance's Banking Bureau maintains that the banks' real estate financing is one factor causing the tremendous increase in the price of land, and so the ministry has asked the banks to drastically curtail their real estate lending activities. Even so, EIE managed to procure 86 billion yen for its activities, in a case that highlights the revolving financing that has deceived the ministry and the public. Money from financial institutions is converted into unintelligible ventures once it is passed through land and stocks.

"If you're worth a trillion yen, you'd hardly notice a spare 100 million yen or so," says a director of a Kansai city bank. "The general supposition is that that money ends up as a political contribution."

But nowhere in the filed reports of political contributions is there any hint of EIE money.

As can be seen with Kozo Kotani and the Kokusai Kogyo takeover incident, politicians often end up at any place where easy money is to be made. With the splendid support of The Long-Term Credit Bank, Takahashi has moved huge amounts of money—a development that the politicians could not fail to notice.

Insupportable Management Methods

But The Long-Term Credit Bank's funding alone does not reveal the full extent of Takahashi's financial resources. In talking about his unusual overseas investments and land acquisitions, there are several points that cannot be overlooked.

As was pointed out earlier, for example, EIE has borrowed an unusually large amount of money from non-bank banks.

To take a few concrete examples, Japan Foam Financing is a subsidiary owned by Shuji Yokoyama, president of Daikyo and chairman of Toshio Yamaguchi's supporters association. Sanyo Finance is an affiliate owned by Sanyo Securities Co., Ltd. President Tsuchiya Yoichi. Interlease is a lease-rental company affiliated with Nippon Shinpan Co., Ltd.

In other words, Takahashi has borrowed large amounts of money at high interest rates from sources over which he has influence. As can be seen from the list of EIE International creditors, he has not borrowed money from first-class banks such as Sumitomo, Fuji, Mitsubishi, etc. What does this mean?

According to an explanation offered by one assistant finance manager at a major trust bank, it means the following:

"It doesn't matter that he has the backing of The Long-Term Credit Bank; in the end, he's a real estate broker. We'd have no interest in a sort like that."

So it would appear that, despite his massive assets, Takahashi has not been "approved" by the great city banks of Ohtemachi.

For this very reason, it is said that Takahashi is courting his present investment partners and financing sources, for example Sekitei Group's head Kimio Haneda (Sekitei has recently been exceptionally active overseas) and Mitsubishi Trust & Banking Corp. VP Hiroshi Yamamoto, by inviting them on trips to Fiji. Perhaps Secretary General Ozawa's trip to Australia was also undertaken with this aim in mind.

The Bicycle Balancing Act

The instability of the EIE household's financial position shows up clearly on the right side of the settlement of accounts sheet, under the assets listing.

The firm lists total assets of 291.9 billion yen. These assets include 46 billion in cash, 111 billion in loans, 21.9 billion yen in negotiable securities, land worth 8 billion yen, construction accounts (construction in progress) of 26.2 billion yen and investment securities held for capital gains purposes of 41.9 billion yen.

Takahashi cannot freely use the 46 billion in cash because it is in the form of derivative deposits forcibly required by the banks to be kept on deposit to secure his borrowings from them. The securities underwrite a third-party capitalization increase by Nisshin Kisen; these assets, too, cannot be moved.

About the only assets Takahashi can freely move are a total of just over 150 billion yen, consisting of 41.9 billion in investment securities and the 111 billion in loans. The loans, in the form of loans to subsidiary firms, are probably earmarked for funds to buy hotels and land.

Said a planning director from Dai-Ichi Kango Bank whom I asked for an appraisal of the business report:

"To put it simply, he has far too few assets to support a debt burden of 285 billion yen. He's probably buying real estate with the loans he gets from the banks and non-bank banks, and then using that property as collateral for new loans—the so-called 'bicycle balancing act'; he has to keep dealing to avoid falling over. If interest rates go up, his debt burden will increase, making it more difficult for him to keep his balance."

As if to underscore that opinion, it is a fact that investment securities account for one-fifth of the total debt, far

higher than is normal. As mentioned previously, it can be seen that Takahashi is clearly into stocks in a big way.

Normally, common sense would suggest that one should not go into debt in order to invest in stocks. But that is exactly what Takahashi has done, in spades. As can be seen from the Tokyo stock market's collapse at the beginning of this year, investing in stocks carries with it the risk that the investment could disappear overnight. So Takahashi is treading a treacherous path for a businessman to take.

It has been said that, ever since he first procured funds for the Kimitsu and Royal Meadows Golf Clubs, Takahashi has been wedded to the idea that skillful utilization of real estate can bring one a lot of capital. However, this cash philosophy can just as easily lead one to ruin if interest rates go up and land prices fluctuate.

"Even if the annual interest rate is only 6 percent, for a debt of 285 billion yen that still comes to interest payments of 16.8 billion yen a year," commented a vice president of loan analysis at a major city bank, after looking over Takahashi's list of creditors and debts. "That's a lot of money. Even assuming his overseas hotel businesses run smoothly, he has no ordinary amount to pay off. He's probably earning money off investments in stocks and using that to service the debt."

In short, although he is widely estimated to be worth a trillion yen, the dangers inherent in his policy of getting loans from every point on the compass and amassing huge debts is readily apparent from the figures as well.

This is the reality of the owner of a hundred affiliated companies and hotels both within Japan and abroad, the man many say is another Kenji Osano. Whenever businessmen get into trouble, they typically seek political power to help them out; this they do not by fair economic practices but by seeking a back channel. This maxim may well apply in Takahashi's case as well.

* MHI's Strategy for 1990's Revealed

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[Article by Soichiro Tahara, documentary writer]

[Text] **The Rapid Progress of a Leviathan; Mitsubishi Is on the Move "Keep Your Eyes on the Mitsubishi Group"**

This has now become a catch phrase used by competitors and by journalists who write about economics.

In October 1989, Mitsubishi Estate Co. acquired 51 percent of the Rockefeller Group's stock.

In March 1990, four member companies of the Mitsubishi group (Mitsubishi Heavy Industries, Mitsubishi Motors, Mitsubishi Electric, and Mitsubishi Corporation) agreed to form a tie-up covering a wide range of areas with the Daimler-Benz Group in West Germany.

That same month, Mitsubishi Corporation completed the purchase of the U.S. firm, Aristech Chemical Corporation.

In April, Mitsubishi Metal Corporation and Mitsubishi Mining and Cement Co. agreed on a merger.

Mitsubishi is on the move, especially MHI (Mitsubishi Heavy Industries). Changes within MHI, the hub of the group, the battleship of Mitsubishi's combined fleet, and its rapid advances, have been astounding.

MHI has long had the image of a mighty mountain, unaffected by the passage of time. Its existence has been symbolic of heavy industry, but the firm is now undergoing a great metamorphosis.

When the books were closed for FY 1989 (ending in March, 1990), MHI's current profits boosted it up into the top 20 (see table). The figures themselves are not surprising, except that current profits in the previous fiscal year were 87.1 billion yen (43d place). Moreover, the company had been stagnating in FY 1987, with current profits of 58.4 billion yen (58th place).

20 Companies Listed on the Tokyo Stock Exchange with the Highest Recurring Profits for FY 1989 (Totals from Wako Economics Research Institute; Units of 1 Billion Yen

Rank	Company	Recurring Profits
1 (1)	Toyota Motors	569.8
2 (2)	Nomura Securities	488.8
3 (3)	NTT	484.7
4 (4)	Sumitomo Bank	352.6
5 (8)	Sanwa Bank	319.6
6 (10)	Daiwa Securities	313.1
7 (5)	Fuji Bank	296.8
8 (6)	Daiichi Kangyo Bank	295.4
9 (7)	Mitsubishi Bank	270.9
10 (11)	Matsushita Electric	265.2
11 (14)	Nikko Securities	260.4
12 (17)	Yamaichi Securities	233.6
13 (13)	Hitachi, Ltd.	220.8
14 (19)	Nippon Steel	202.3
15 (24)	Toshiba	201.8
16 (9)	Tokyo Electric Power	184.9
17 (21)	Nissan Motor Co.	184.2
18 (12)	Industrial Bank of Japan	158.6
19 (27)	Fuji Photo Film	151.2
20 (43)	Mitsubishi Heavy Industries	140.4

Note: Numbers in parentheses are FY 1988 rankings; Source: YOMIURI SHIMBUN, 6 June 1990, morning edition

At that point, MHI suffered the fate of being classified as an out-of-date leviathan. Mitsubishi Electric (an antecedent of MHI, founded in 1921 when it split off from Mitsubishi Shipbuilding) surpassed MHI in sales for the period ending in March, 1987, as did Mitsubishi Motors (independent since 1970) for the period ending in March, 1988.

MHI's remarkable progress...perhaps MHI's executives will take offense at our writing in this way.

In 1964, the year the Olympic games were held in Tokyo, MHI was the top-ranking private enterprise in Japan, with sales of 382 billion yen. Second place was held by Hitachi, with sales of 305.5 billion yen.

That same year, the company was fourth on a list of firms rated by college students majoring in the sciences. These ratings are done annually, and show which firms are most attractive to new graduates who will soon be seeking employment. In 1987, MHI had fallen to 14th place. Its sales ranked it as 24th. First place was held by C. Itoh & Co. and second place, by Sumitomo Corporation.

What was the nature of this metamorphosis? And how was MHI able to make such remarkable progress?

A Daring Departure From the Founding Principles

The head office of MHI is in Tokyo's Marunouchi district. As you approach the entrance to the building, you sense incongruity. A face you know from having seen it on television is grinning broadly at you from a huge display window. It belongs to Sayuri Kunio. She is a teenage idol, the former star of the Fuji TV show "*Onyanko Club.* [This refers to a group of teenaged girls. *onyanko* appears to be a mixture of *onnanoko* (girl), *nyau* (meow), and *nyan nyan suru* (to make out). A reasonably close translation would be "Sex Kittens," though it is too strong, as the ratio of sex to kitten in this group is 10-90.]

The copy beside the beaming Sayuri Kunio reads "NEXT—more pleasure, more fun."

In other words, Sayuri Kunio has become MHI's mascot. Even so, the teenage idol from the "*Onyanko Club*" and MHI certainly seem mismatched.

A search for MHI's roots takes us back to the 17th year of the Meiji Era (1884), when the *Rokumeikan* [a social club for the Japanese nobility and foreigners] was built.

In June of that year, Yataro Iwasaki applied to the government for the use of the government-run Nagasaki shipyard, and his request was granted. The shipyard was transferred to MHI (Mitsubishi Company, at that time) in 1893.

In October 1917, the company changed its name to Mitsubishi Shipbuilding, and was renamed Mitsubishi Heavy Industries in April 1934.

The company built a large merchant ship, the Argentina, the battleship *Musashi*, and then, the carrier-based Zero fighter planes. As the mainstay of Japan's industry and its arsenal, MHI "has grown with Japan."

After the war, MHI was divided into three companies upon orders of the GHQ, in its move to break up the *zaibatsu* [industrial conglomerates]. The companies experienced hard times, since they were not permitted to manufacture planes or warships but, before long, they began producing motors for power plants, machinery for use in steel manufacture, ships and, later, fighter planes (the F-104 series) for the Self-Defense Forces. The three companies were reunited as Mitsubishi Heavy Industries in June 1964.

And, as we mentioned at the beginning of this article, MHI was the top-ranking company that year, with sales of 382 billion yen.

If we trace the history of this mainstay of Japanese industry, MHI, the combination of MHI and Sayuri Kunio seems less incongruous. Of course, the author is not particularly troubled by this incongruity.

In fact, he has been drawn to this strange combination, and feels that it holds the key to the secret of the rapid progress and transformation of a leviathan which seemed to have become an anachronism.

The search for a connection between a huge company which manufactures weapons, electric power-generating equipment, and industrial machinery, and Sayuri Kunio leads us to Yotaro Iida, the current chairman of MHI.

Yotaro Iida was born in February, 1920. In 1943, just when the war was intensifying, he graduated from the mechanical engineering department of Tokyo University, and went to work for MHI.

"At that time, MHI was the only manufacturer of machinery that I wanted to work for, so I didn't have much trouble making a decision."

There is no conceit or arrogance in Iida's words—just frankness and, possibly, a hint of regret or irritation.

"At that time, graduates of the mechanical engineering department all wanted to be in munitions, then the leading industry, and to work on aircraft and tanks, but I was interested in shipbuilding. There was no competition, and the company was very happy to have me. Why did I choose shipbuilding? Well, I had no desire to do the same thing that everyone else was doing. And I knew the war had to end sometime, and felt that after the war, ships would be more important than airplanes. Of course, I didn't dream that one day there would be jumbo jets capable of transporting 550 passengers."

Iida is straightforward, and full of vitality and cheer.

"I was right. When the war ended, the aircraft manufacturers disappeared, and those who had gone to work there had a very difficult time. I managed to keep my head above water, and to get where I am today. But, to tell you the truth, people who had majored in marine engineering were terribly arrogant, and people like me were outcasts who kept a low profile."

As he spoke, Iida went through strenuous efforts to make himself smaller. In his speech, his facial expression, and his gestures, there is a humor not often seen in the "Don" of a huge corporation.

Iida has revolutionized the founding principles of the company, changing them from "MHI—progressing with the nation" and "MHI serving the nation," to "progress with the people" and "serving the people," and has exhorted MHI to become "a company known and loved by everyone."

The transition from a mainstay industry, an arsenal, to "a company which is close to the people." This is where Sayuri Kunio comes into the picture, but this has not been a simple transition. MHI hasn't abandoned heavy industry (it still manufactures weapons, for instance). But it is building up a new, knowledge-intensive heavy industry which incorporates the new trend—nimble, hi-tech industry.

This is MHI's grand experiment.

Of course, Iida didn't enter into this experiment on a whim, or just for the sake of trying it out.

Iida was installed as president of MHI in June, 1985.

In September of that year, the finance ministers of five nations: the United States, Great Britain, France, West Germany, and Japan met at the Plaza Hotel in New York. The export industry, caught up in the tornado resulting from the policy move which raised the value of the yen, screamed in pain. MHI, too, experienced its share of agony.

That was when Iida encouraged MHI to become "a company loved by everyone," in an attempt to get closer to the people; it was a desperate survival strategy.

Crisis Management of the "Aikawa School"

Would the Hurricane Sink the Ship?

Clouds began to hover over MHI. The high-yen slump engendered a sense of crisis among the MHI management team, but this was not the first time that this had happened.

The two oil shocks, in 1973 and then, in 1978, were a one-two punch that hit MHI right in the solar plexus.

At that time, shipbuilding accounted for approximately 38 percent of MHI's total sales. Or, to state the reverse, MHI had experienced significant growth because of the shipbuilding boom. MHI's shipbuilding division employed 23,000 people (the companywide total was approximately 80,000). But orders suddenly plunged to the point where they represented only one-fourth of manufacturing capacity.

Orders for shipbuilding, which had represented 38 percent of MHI's total sales, now suddenly reduced by 75 percent...this was truly a grave situation.

Nagasaki, the city of shipbuilding. At that time, the Nagasaki shipyard employed approximately 16,000 people. At the shipyard, there were two divisions—the shipbuilding division and the motor division, but more than 10,000 people were working in the shipbuilding division. Reducing the staff in that division to one-fourth—in other words, laying off three-fourths of the workers, would throw the entire city of Nagasaki into a state of panic.

But if MHI failed to respond to the sudden slump in shipbuilding orders with drastic measures, MHI would sink.

MHI did not opt for forceful rationalization—mass firing.

In the midst of the hurricane, it held steadfastly to its lifetime employment system.

The "Mitsubishi-style organization" was thought to be the source of MHI's vitality and strength. The company stubbornly adhered to its principles, its organization, the lifetime employment system, through the storm (the sudden, huge decline in shipbuilding orders).

Why was MHI so stubborn about this?

"Looking at the situation in the short run, there certainly wasn't much demand for ships, and we were very much restricted, as far as pricing was concerned. But, taking the long-term view, it would have gone against all logic to declare shipbuilding a structurally weak industry."

This statement was made by Shinichi Tsuruoka, general manager of the president's office, in the fall of 1987, in an article written by Shigeru Yokozawa (NEXT, October, 1987 issue).

"Taking the long-term view"...somehow, this seems to be one of the keys to an understanding of MHI.

It is not unusual for the construction of a nuclear power plant to take more than 10 years from the signing of the contract to completion. If there is activity in opposition to the plant, and the government does not take strong action against it, the schedule may be delayed, sometimes even resulting in the very nature of the project being changed, in the end. Then, there is development work on new reactors to be done, the results of which may never see the light of day. Research on fast breeder reactors, for instance, requires the continuous investment of a tremendous amount of money and manpower. The work takes an exceedingly long time, and there are countless unknown quantities which must be conquered. This is a company that is preparing for the future.

The afore-mentioned Mr. Tsuruoka emphasizes that "that is why this is not a question of near-sighted rationalization (staff reduction), but of acquiring enough stamina to be able to climb the next mountain—for instance, how to maintain our technology for the time when the shipbuilding industry is revived."

In any case, in 1946, right after the war, when no one thought that it would ever build another ship, MHI hired five newly graduated shipbuilding engineers.

Now, that is a company with an amazingly far-sighted attitude. Or, perhaps, a company with a shockingly obtuse, over-optimistic attitude.

But the hurricane did not sink MHI.

Though MHI had rejected the forceful (or, rather, easy) step of firing people, it did something even more difficult. It carried out a massive company reorganization and developed an outward-looking strategy.

"We had a tremendous tribal migration. We moved people from Nagasaki to Kobe, Nagoya, Sagamihara—all over Japan. And that wasn't all. We established companies and stores of every sort, companies manufacturing control devices, engineering firms, construction and real-estate firms, driving ranges, members-only tennis clubs, coffee shops, book stores...everyone was desperate, frantic." (Yotaro Iida)

In 1975 there were 16,000 employees in the Nagoya shipbuilding division. Today there are approximately 8,000; the number has been halved. And that was accomplished without firing a single person.

But it was not only the massive company reorganization or the outward-looking strategy that steered MHI through the hurricane.

A Below-Cost Bid on a Nuclear Power Plant Construction Project

At MHI's Nagasaki shipyard there is a motor division, in addition to the shipbuilding division. When shipbuilding went into a slump, the motor division showed

extreme tenacity in its efforts to counteract it. The motor division increased its sales by contracting to build, first, the power plant in Basra, Iraq, and then, other large power plants in Mexico, Ecuador, and Saudi Arabia.

Furthermore, up to that point, the company had been doing business in a detached way. It produced boilers and turbines for power plants, and MHI's job was over when the finished products were loaded for shipment. But all this changed, starting in Iraq, when MHI switched to the ambitious role of a general contractor, undertaking the entire construction of power plants.

Doing construction work in a foreign country, and assuming the responsibility of gathering workers from many nations, overseeing foundation work, construction of buildings (in short, taking charge of everything connected with the building of the plant) entails an incredible amount of risk. And the staff of the Nagasaki motor division could not have had much experience in general contracting at that point.

"That is all very well to say but, the shipbuilding situation being what it was, we had to think of some way to increase sales, or the Nagasaki shipyard would have gone under. There was no choice but to do everything we could to increase sales. Just making turbines and boilers was not going to accomplish that. We just had to try it. Don't you agree?"

Kentaro Aikawa, the head of the motor division of the Nagasaki shipyard at that time, and now MHI's president, smiled as he spoke.

Aikawa was born in Nagasaki in 1927, and attended elementary and middle school there. He left Nagasaki to attend High School No. 5 in Kumamoto, and college at Tokyo University (mechanical engineering department). As soon as he graduated, he went to work at the Nagasaki Shipyard (called Nishi Nihon Heavy Industries at that time), and remained in Nagasaki until 1987, when he became a managing director.

It seemed like a foolish question, but we asked him why he decided to work for MHI.

"Well, when I was a child, I used to go to watch MHI's launching ceremonies. Our athletic meets were held on Mitsubishi-owned land, many of my classmates' parents, older brothers, and other relatives worked for Mitsubishi...it just never occurred to me to join any other company. When I think about it now, I realize that it might have been the power of suggestion."

Once again, Aikawa displayed his broad smile.

If Aikawa, born and raised in Nagasaki, entered Tokyo University in 1947, where was he and what was he doing when the atomic bomb was dropped on Nagasaki?

"At that time, I was at High School No. 5 in Kumamoto. In fact, the bomb was dropped 20 days after I arrived there. Many of my middle school classmates and those ahead of me died in Nagasaki."

Aikawa spoke with sadness in his voice, as though he were recalling what had happened 45 years ago.

Hearing Aikawa, born and raised in Nagasaki, talk about the many friends, classmates, and relatives who lost their lives to the atomic bomb, and about the shipyard, the mainstay of Nagasaki, a city rebuilt at great sacrifice, one gets a better realization of what he meant when he said "Risk or no risk, we had no choice but to do everything possible to save the shipyard from ruin. We were desperate."

But how in the world did MHI manage to land the contract for the construction of the power plant in Basra, Iraq?

Since the bidding was competitive, and this was a project involving more than 100 billion yen, we knew there would be competition from companies all over the world. We absolutely had to submit the lowest bid."

And what was MHI's technique (or strategy) for submitting the winning bid?

"A below-cost bid." We calculated the total cost, without profits, at 120 billion yen. Our final bid was a figure about 7 billion yen lower than that. As I recall, the second lowest bid, which must have been around 160 billion yen, was submitted by Siemens.

A below-cost bid...not to mention the fact that MHI was going to handle the entire project, from groundwork to construction of the facility! A seemingly reckless venture, entailing a great deal of risk.

Didn't the top management at the shipyard, or the head office, try to stop this risky venture?

"Look, we couldn't just sit there and wait for the end to come, could we? Everyone was aware of the danger. When someone says 'Don't worry, I'll see this through, everything will turn out all right,' then top management decides to let him give it a try. That's the sort of company Mitsubishi is."

Since, at that time, a ship in the 200,000-ton class was priced at several tens of billion yen, 120 billion yen would certainly augment the losses suffered in the shipbuilding slump. But wouldn't a below-cost quotation 7 billion yen less than that make the situation worse?

"We would never have submitted a below-cost quotation, if we had thought that we'd end up taking a loss. What you do is submit a below-cost quotation, and somehow manage to end up in the black. Then you really have to use your head, and things start to get interesting."

Aikawa laughed, like a naughty child revelling in his mischief.

The Cloud With a Silver Lining

Aikawa continues his story: "I was originally involved in design work, so first we thoroughly rationalized design.

We had to make everything as lightweight as possible. That was my primary goal. If we reduce the weight as much as possible, we save on shipping charges, and assembly is that much easier. We had to take off as much fat as possible."

"The next step was the procurement of materials. Since we are part of a group, we took advantage of Mitsubishi Corporation's network. The Nagasaki shipyard staff traveled all over the world, searching for 700-800 types of materials, from aluminum sash and clay pipe, to paint and provisions, and succeeded in amassing high-quality, low-priced goods."

"We had to make absolutely sure that materials and parts would be delivered to the project site on time. This was of vital importance, and very difficult to accomplish. The reason this was so important was that any delay in the arrival of parts or materials would have resulted in on-site delays. The longer you have to wait, the more expensive it gets. The advantage of being able to purchase materials cheaply would have been negated if they weren't going to arrive on time. Avoiding lost time, idle time—this was one of the most difficult aspects of management."

In any event, since MHI had taken on the entire power plant construction project, minimizing operating losses (which occur in innumerable forms) was an Herculean task. Not to mention the additional complication of having people of many different nationalities working together.

"In the past, it would have made sense to subcontract landfill, concrete pouring, ground leveling, and various other types of work to specialist firms, but we would have lost money by doing that. Furthermore, these specialists base their fees on anticipated losses, so the cost goes up. Mitsubishi hired every single laborer and, in a reverse of the usual situation, we asked the various subcontractors to specify the required number of laborers, and then we supplied them."

By directly hiring workers, and supplying them to the various subcontractors, MHI was carrying a great deal of risk. The company was already risking a great deal by taking on the responsibility of a general contractor. Why did it take on this additional burden?

"Yes, we were taking a risk, but behind every risk there are advantages. Nothing ventured, nothing gained. We couldn't have surmounted the crisis doing business in a detached way. So you face the risk head on, but you do everything possible to stave it off. That's how you win the game."

Then Aikawa explained that "the risk-hedge charge is extremely high. You don't avoid the risk, you incorporate it into the bid. That's why we were able to come up with a below-cost estimate, and end up in the black."

"Don't run away from risk, but prevent it from becoming a reality...."

MHI took pains to provide good food to the workers, as well as full recreational facilities—a golf course, tennis courts, mahjongg rooms, and a pool.

"We shipped over some *pachinko* machines [Japanese-style vertical pinball machines], but they were a big failure. They weren't popular at all. You see, there weren't any prizes...."

According to Aikawa, "if we are continually thinking that this company will never sink, that's when we make mistakes. But, when we are attempting something difficult, and everyone is completely aware of the difficulty, we are much less likely to make mistakes."

At any rate, MHI incorporated the risk-hedge charge into its bids, and accumulated success after success, against all odds, with no mistakes, in Iraq, Mexico, Ecuador, and Saudi Arabia.

Incidentally, when the construction of the power plant in Basra, Iraq, undertaken at 7 billion yen below cost, was completed, MHI ended up 8 billion yen in the black.

Furthermore, during its series of efforts in power plant construction, MHI developed a module system which helped to significantly reduce costs.

This system involves dividing a boiler (which is as tall as the Marunouchi Building) into horizontal sections so that it can be transported on a ship, and then assembling it at the construction site. This system requires absolute precision. MHI had accomplished something which the industry hadn't considered feasible.

"In a crisis, everyone is desperate. Everyone tries frantically to come up with good ideas. Then people get amazing ideas, one after the other. Crisis management is easy. You just have to inspire enthusiasm. Being able to do that is really important."

Aikawa grinned. He has a sunny disposition and nerves of steel. His difficult experiences in Iraq and Saudi Arabia, where he "incorporated the risk-hedge fee charge" may have formed the backbone of his current style of management, but let's not get ahead of our story.

All Products Must Be First-Rate and Profitable

Prices Are High, and so Is the Level of Pride

Many Aikawas were turned out or, rather, all of MHI became like Aikawa, and the company somehow managed to survive two oil shocks. Just when the company thought it would be smooth sailing, it was hit by another storm. That was the sudden rise in the value of the yen, the result of the Plaza Hotel Accord in September 1985.

At that time, the upper limit that MHI had set for the yen-dollar exchange rate was approximately 220 yen. In an instant, that ceiling was broken through. Then the rate went below 200 yen, and approached 150 yen.

"The company was in an uproar. Vice President Yu Tashiro (then managing director) says that chairman

Iida (president at that time) went around scolding and encouraging the employees: "Stop complaining about how much trouble the high yen is causing," "Work blindfolded," and "It's just like playing golf in the rain."

But Iida did not go around "scolding and encouraging the employees" because he was in a panic over the sudden rise in the value of the yen.

In June 1985, when Iida was installed as president, he came out with the slogan "All products must be first-rate, all products must be profitable."

But MHI had a long history behind it. It had amassed a great deal of technology, and it was surely at the top level of industrial technology in Japan. Why was its new president now issuing this order?

A member of the vice president's staff told us that "MHI has a lot of talented people. Our research organization must be one of the largest, but that doesn't necessarily relate to performance. We're not keeping up with the times. I think that that was bothering Iida."

We asked Iida straight out, "What about MHI is not first-rate?"

"Well, there are several things, but when I say I want everything to be first-rate, I am referring, of course, to quality and performance, but also to prices and services—everything must be first-rate. And in shipbuilding, no matter with whom you compare us, we are first-rate. But our prices are high. And so is our level of pride."

A high level of pride? Iida smiled wanly when asked about that.

Iida recalled that "Soon after I became president, I received a lot of comments about MHI from acquaintances and relatives. One of the comments made was that MHI creates the impression of coldness and haughtiness, and that its image is too severe."

"That is why I started to instruct my people on the proper way to bow. I told them that they should bend down 90 degrees. I told them to practice every day, looking in the mirror.

Bow low, reduce prices.

Iida spurred his people on, saying that "the cost-plus fee is not a price. Set the cost at a price which makes it possible for you to get orders."

MHI, Japan's mainstay industry, weapons arsenal, had a sort of isolated structure, meaning technical superiority, driven by technology—any high-technology products that it manufactured would sell. Iida was planning structural changes—a *perestroyka.*

"When the yen rose in value against the dollar, first it broke through the 200-yen mark, then steadily rose to 180, and then to 170. That was when I announced that we were going to go with the 'American football system.'"

What is the "American football system"?

"I told all the people who said they couldn't do business unless the dollar was at 190 yen, or 170 yen, to retire from the game. I said that we would play the game with people who were ready to face the challenge of even 130 or 140 yen to the dollar, or whatever the exchange rate happened to be."

Wasn't facing the challenge of whatever exchange rate happened to be in effect an absurd argument?

Iida, amused, shook his head vigorously in response. How stout-hearted and cheerful he seems!

"Take the procurement of materials. Now, if our company puts a price of 100 on a project, 70 is for materials and parts (which have to be purchased from outside), and 30 represents the amount used within MHI. So, when the yen is high, we are at an advantage if we can buy what we need cheaply overseas. And, to tell you the truth, when the rumor gets out that MHI's materials division is actively procuring materials abroad, then domestic prices go down. That's the way things are."

Iida was smiling again. Search all over the world for high-quality, low-priced materials. This coincides with the decisive action taken by Aikawa on the power plant construction project in Iraq.

Make Something Special

Design is another area targeted by Iida in his effort to reduce costs.

"Our people are overly conscious about strength, and overly painstaking. They tend toward an excessive use of materials—there is too much excess. For instance, they will put three coats of paint on something which really needs only one. And they use materials of unnecessarily high quality."

According to a member of the president's staff, "in the postwar period, we did licensed production for a long time. Design, which should have taken precedence, was relegated to second place. We were working at making a copy of the original, and Iida was unhappy that that had become a habit."

We confirmed this with Iida.

"After the war, it would have taken too long for us to develop our own technology. So we bought technology from Europe and the United States. All our design section did was to convert inches into millimeters. That state of affairs continued for quite some time, and there was many a time I thought about resigning—after all, I was a designer. The work wasn't interesting at all."

Iida spoke with the tone of voice and the facial expression of a young employee pleading his case.

But the first oil shock spurred MHI to do independent technological development, and work in the design section must have become more interesting.

"Then we had the second oil shock, and the rise in the value of the yen. To survive these crises, we had to produce something different from what everybody else was producing, something with high performance and a low price or, rather, we had to develop a superior product that wasn't available anywhere else. If nobody else was making it, then trade friction would not be a problem. So I went around telling everybody: no more copies, let's make something special."

"No more copies, let's make something special"...Iida's appeal became reality when MHI's Basic Technology Research Institute in Kanazawa Ward, Yokohama, opened in November 1987.

"This institute was the first organization devoted to state-of-the-art, comprehensive research. It was intended to support the other research institutes attached to our operations in Nagasaki, Kobe, Hiroshima, Nagoya, and Yokohama, by concentrating on intensive basic research."

It was Shoji Ueda, technology division chief (and managing director) who provided this explanation. He was the first chief of the Basic Technology Research Institute.

Ueda was born in 1927 in Takamatsu. He entered Tokyo University (metallurgy department) with the intention of pursuing an academic career. However, after the war, ship propellers developed using military technology, but which had been converted for civilian use, were causing frequent accidents. Ueda was instructed by one of his professors to participate in the solving of this problem, and was dispatched to the Nagasaki shipyard. That experience led to his joining MHI (Mitsubishi Shipbuilding, at that time).

What impressed Ueda with the necessity for independent technological development were the first and second oil shocks.

"As Chairman Iida mentioned, until the oil shocks occurred, the mainstream at MHI was borrowed technology.

"But then the oil shocks hit. If Japan has no resources, then it has no energy. Unless efforts were made to conserve energy and improve efficiency, Japan would not be in a position to compete with other nations. The United States abounds in natural resources. If Japan introduced American technology, then it couldn't compete. It couldn't survive. We had somehow to develop independent energy-saving, high-efficiency technology and/or new sources of energy."

People tend to connect MHI to old-style, heavy industry, and are likely to think that the company has no connection whatsoever with computers or electronics. But Ueda explained that "actually, the core of heavy industry is something like a canned computer."

"Our comprehensive control technology (we call it systems technology) completely controls, for instance, the boiler, turbines, and all the other components of a thermal power plant. It uses them in the most efficient way. For that system we are, of course, using computer technology to full advantage. We are setting up a comprehensive system, unifying all processes from design to plant production, and that system will eventually be one which covers the entire process from receipt of the order to delivery. In other words, we are proceeding steadily with the computerization of the company."

Then Ueda emphasized that "it is a mistake to try to make clearcut distinctions between light and heavy industry."

According to MHI, the assumption that we have moved from an age of heavy industry to an age of light industry is quite mistaken. MHI is a knowledge-intensive heavy industry which has armed itself with a tremendous amount of software.

The reason that Ueda can speak with such confidence is probably that MHI has the Basic Technology Research Institute to back it up.

Currently there are about 100 researchers at the institute, who are working in two important areas—the development of new energy sources and preparation for the time when environmental problems worsen.

The Transition to the "Popularity Track"

The Goal: A Company Loved by Everyone

So, we have Iida's slogan "all products must be first-rate," and there is another slogan (or the goal of the company reforms), the transformation into "a company loved by everyone." What we are seeing is a conversion from an MHI which "serves the nation" to an MHI that serves the people (the popularity track).

This is where the services of MHI's new symbol, Sayuri Kunio, come in, and the results are already showing.

For instance, most of the movable seats at the Tokyo Dome and at the Yokohama Arena are MHI-made, and MHI is involved in similar projects at the Tokyo Bay NK Hall and the opera house at the Aiichi Prefecture Cultural Hall.

MHI's large-scale theater system is an automated, computer-controlled system. Lighting, the stage, and seats can be moved. This is the result of a knowledge-intensive heavy industry's combining light industry (software) and hardware.

MHI has also made a precision mechatronic system which controls a combination of theater "software" and 40 tons of hardware, according to the requirements of the production. Another of the company's products is a

swimming pool with a bottom which can be converted for other, off-season uses. It is also possible to regulate the depth of the water to conform to various applications.

The leviathan which has produced the battleship *Musashi*, the Zero fighter plane, the J series of fighter planes (F-1 through F-15J), tanks, rockets, thermal and atomic power plants, chemical plants, and numerous large ships, has been quick to grasp market requirements and respond to them. MHI has accomplished a dynamic metamorphosis to a flexible, solid enterprise.

Iida emphasizes that "the type of person we want here at MHI is not a genius, but a mischievous sort, with insatiable curiosity."

If MHI, having incorporated aspects of light, hi-tech industry, can change its field of vision from that of a national mainstay producing weapons, ships, and motors, to that of a company which is close to the people, there is certainly the possibility that countless new markets and demands will open up.

For instance, the leisure industry. With "snow" as the keyword, ski resorts present a treasure trove for a company which combines heavy industry and light industry.

Lifts, equipment which grooms the snow on ski slopes, snow-making systems for skiing areas which use artificial snow, in fact, an entire artificial snow ski area is the territory of light-heavy industry. The same concepts can be used to produce a man-made beach.

Now MHI is working on the Water Park in Miyazaki Prefecture. This park is a man-made beach with a roof which opens and closes automatically. It also has equipment which can produce waves as high as those at Waikiki Beach, so that people will be able to enjoy surfing there.

MHI has also supplied a theater system which simulates sailing ship travel to the *Oranda Mura* [Dutch Village] in Nagasaki. This system links the spectators' seats with the images projected on the ultra-large screen, and gives the audience the sensation of being on the seas.

The leisure market is growing bigger and bigger. The question is how does a company apply its wisdom and capabilities, and the technology it has developed for the manufacture of aircraft, ships, and motors, to capture this market. This contest involves imagination, a grasp of market requirements, and even creating new requirements. In that sense, MHI needs people who are rebellious, who know how to have fun, who can find new ways to have fun, who are curious, and who are flexible, rather than geniuses, just as Iida insisted.

In that case, the function of the huge poster of the teenage idol, Sayuri Kunio, from the *Onyanko Club* may be to act as a stimulus for changing attitudes within MHI and to revolutionize the company, rather than to improve the company's public image.

The Shaky Foundation: Planning Changes in the Financial Structure

In any event, MHI is in the throes of great change.

Supporting this adventurous effort, and giving the rebels the freedom to do what they wish, is a radical financial restructuring.

Until the 1970's, before indirect financing came into the picture, MHI borrowed as much as it could in order to expand its facilities.

Then the oil shock struck. The cost of materials and labor skyrocketed, further shaking MHI's foundation, and the company went deeper and deeper into the red.

Yu Tashiro (now vice president), the assistant manager of the financial division, talked the managing director responsible for that division into changing over to direct financing, i.e., equity financing (fund raising which accompanies the issuing of new shares) in Swiss francs and German marks.

Tashiro was born in 1925. He graduated from Tokyo University (department of economics) in 1948, and was hired by MHI.

In 1945, the year Japan lost the war, he was drafted into the armed forces. When asked why he had not gone to a school with military affiliations, he replied "I was absolutely against the idea. We had military training starting in middle school and, to make a long story short, I hated yelling at people. And I particularly dislike hierarchies."

We asked him: "Doesn't MHI have a hierarchy?"

As though embarrassed, he responded "If that's the way it seems, then that isn't very good."

MHI's long-term debts for FY 1982 (when the effects of the 1-2 punch—the first and second oil shocks began to show) were 564.6 billion yen. This amount represented 9.2 percent of the company's net worth. MHI was 10.1 billion yen in the red.

"I dislike high-powered finance. But these were extremely bad times. If we had had to depend on bank loans during this so-called structural depression, we would have just been paying interest, and would have joined with the depression in strangling the company. With proprietary capital, even if we reduced dividends, or paid no dividends and incurred displeasure, at least the company could continue to exist."

Around the time of the second oil shock, MHI began to raise capital in the international market, with equity financing in Swiss francs and German marks. The company had changed its financial structure.

"We started in London, then Frankfurt, Switzerland—we did about 20 of these."

In 1982 MHI had long-term debts in the amount of 564.6 billion yen but, by 1989, these had been reduced to one-fifth of that amount (128.2 billion yen).

Long-term debts accounted for 9.2 percent of net worth in FY 1982. This figure had risen to 22.8 percent in FY 1989.

The result was that MHI's books, which were 10.1 billion yen in the red for the period ending in March, 1983, went into the black for the period ending in March, 1987. At the end of March, 1989, the situation had improved to the point where MHI was 16.9 billion yen in the black, and at the end of March, 1990, 23.7 billion yen in the black.

But Tashiro, who succeeded in accomplishing this extensive financial restructuring, insists that he "dislikes high-powered finance."

"In the financial affairs division, a small number of people operate within a very narrow range. When the financial affairs division's efforts result in great losses, the people sweating on the job, or suffering in the desert heat, don't understand what is happening. They are overcome by anxiety and doubt, and are likely to lose their enthusiasm. If, on the other hand, the financial affairs division chalks up a series of successes using high-powered financial techniques, the people working in the field realize that the finance division can easily make many times what they do, using these high-powered financial techniques, and they again lose their enthusiasm or, rather, the project loses its spirit and morale.

"Having a financial affairs division operating as a separate 'profit center,' disassociated from the company's main business and earning profits is, I think, the wrong path for a manufacturer to take."

All Operations in the Black—It Can Be Done

The financial restructuring and...Iida accomplished another bold restructuring—no, *perestroyka*.

This was the destruction of the seniority system. During the four years that Iida was president, he replaced approximately 40 executives, 10 each year.

The finishing touch came when he appointed Kentaro Aikawa (the youngest of the four vice presidents) president.

The man who said "incorporate the risk-hedge charge" and who saw danger as a source of energy, the man who prevented the Nagasaki shipyard from sinking, became president (in June, 1989).

We asked Aikawa how he felt when he was told of his appointment.

"The newspapers had mentioned someone else as a likely candidate and, at that time, I thought 'now I can live to a ripe old age.'"

Then we asked him if he felt overwhelmed when he was told he would be president.

"No, I didn't particularly feel that way. In the past, I never thought 'now things are going to be tough' when I got a promotion. I think that your work becomes easier as you rise higher in the company."

"For instance, you are promoted from assistant manager to manager. For a while, you just continue to do what you were working on in your position as assistant manager. But you have more authority, and people do exactly what you tell them to do. Isn't that easy? Then all you have to do is think about what you're going to do next."

Aikawa speaks with a heavy Nagasaki accent. He seems to have nerves of steel. It is this quality which probably gained him the position of president, more than anything else.

Aikawa's most recent goals, which he has been going around to all the operations to promote are "all operations in the black" and "two birds with one stone—an increased market share and increased profits," ambitious—no, impossible tasks.

When we told Aikawa that, his nonchalant response was "You're wrong. When I told them to get all operations into the black, they did it. It can be done."

"When people are told that all operations must be in the black, they sense the crisis—they realize that they have got to do it. This then becomes all-important, and then it happens. In any case, the president has to provide the stimulus. That is his job."

Aikawa's hobbies are cameras and cars. He loads cameras into his car, and drives around taking photographs. He drives a new Diamante, his tenth car. Starting with the third one, all the cars he has owned have been made by Mitsubishi Motors.

To stay healthy, strangely enough, he skips breakfast and, instead, drinks Biofermin. Biofermin is a medicine for intestinal disorders; perhaps it toughens the nerves as well as the digestive organs.

President Aikawa, visiting all the divisions, energetically spurring on his people: "increase the market share, raise profits."

At the Nagoya operation, he gathers the top executives, and drops a bomb on them: "Your per capita daily sales are less than those of a bar owner. Your profits are only 600 yen per person."

"If I say nice things to them, neither market share nor profits will increase. I have to get tough with them to make them see the light."

"If I don't tell them 'If you can't get this operation in the black, then transfer somewhere else,' they won't get into the spirit."

"I tell them 'Our company is rife with...there are any number of talented people here...' the hardest thing to do is to get people to change the way they think."

"When people are told to change the way they swing a golf club, they find that it isn't easy to change. But I'm asking them to do something really difficult. I am fully aware of that. It is much more difficult to change your way of thinking than your golf swing."

"I understand that very well."

"'So, if you can't change the way you think, you can be replaced, since we have so much talent at MHI, but I would like nothing better than for you to surmount this difficulty, if you can do it.'"

At that point, they get desperate and they actually do change the way they think. Once they've done that, they have become fine assets for the company."

Aikawa emphasizes that "that is how difficult it is to transform, to revolutionize a company so that it can survive."

Coming out of his mouth, it sounds bright and cheery.

MHI, the company that has taken decisive action to dynamically and energetically reform itself.

In conclusion, we asked Aikawa about problems concerning the tie-up with the Daimler-Benz Group.

Aikawa responded cautiously: "There has been much too much written about this in the newspapers...I haven't heard the details from chairman Iida, but I'm sure he would tell you if anything concrete had been decided. At this point we're still getting to know each other, and I don't think discussions have progressed beyond that stage."

Other nations, including the United States, have exhibited great interest in, no, apprehension toward the tie-up between Mitsubishi Group and the Daimler-Benz Group, which bought up the company that made the Messerschmitt and Krauss-Maffei Aktiengesellschaft, famous for the Leopard tanks, among others. It is probably concern for that apprehension which caused Aikawa to reply so cautiously.

(Polite forms of address omitted)

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* Impact of M7.9 Earthquake on Economy

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[Article by Tokai Bank research division chief, Kaoru Oda: "The Loss Would be ¥93 Trillion if Struck Directly by a M7.9 Earthquake"]

[Text] It is said "Earthquakes occur at intervals." The view is also heard that because of this periodicity it would not be strange to have a large earthquake occur in the southern Kanto region at any time.

In October 1989 it was America's San Francisco, in June 1990 it was the Philippines and Iran; thus large earthquakes have occurred recently in various parts of the world, and have produced great damage.

About how much damage would there be if, an earthquake of the class of the Great Kanto Earthquake were to now strike the Southern Kanto region directly?

According to the National Land Agency's "Results of Research Estimating Damage From an Earthquake in the Southern Kanto Region," which was issued on 6 December 1988, it estimates that in the event that an earthquake of the same magnitude as the Great Kanto Earthquake (M7.9) were to occur at noon on an autumn day (hereinafter referred to as the Southern Kanto Earthquake), 806,000 buildings would be destroyed by liquification, etc., including half damage; in addition, 30 percent of the buildings in the Tokyo area, 2.57 million, would be lost through fire, and the number of households which suffered damage would reach 3.75 million (table).

Table 1 National Land Agency's Damage Estimate

Season; time of day		At noon in autumn
Building damage		Serious damage: 387,000 buildings (4.5 percent); Half damage 419,000 buildings (4.9 percent)
Fire	Number of buildings lost to fire	2.57 million (30 percent)
	Victim households	3.75 million households (39 percent)
Damage to Supply, Treatment Facilities	Electricity	42 percent
	Water supply	32 percent
	Sewage system	15 percent
Subscribed telephone damage		37 percent
Human casualties	Deaths	152,000 people
	Injured	205,000 people

Data: National Land Agency, "Results of Research Estimating Damage From an Earthquake in the Southern Kanto Region"

Moreover, it is estimated that 42 percent of households in the Tokyo area would lose the use of electricity, 32 percent would lose the use of the water system, and 37 percent of telephone subscribing households would lose the use of the telephones. Thus, it is estimated that a very great disorder would be exerted on the economy and on society in the event that a Southern Kanto Earthquake were to occur.

When trial calculations are made based on the National Land Agency's data, it comes out that the damage from the Southern Kanto Earthquake would amount to ¥93.6 trillion (FY89 prices).

It is thought that the greatest amount of damage would be to such structures as roads, bridges and harbors, approximately ¥28 trillion, next, homes would be approximately ¥21 trillion, buildings other than homes would be approximately ¥20 trillion, and so on.

The figure of ¥93.6 trillion corresponds to 23.5 percent of Japan's GNP for FY89. It would probably be a matter of assets equal to about one-fourth of GNP vanishing at one stroke because of an earthquake.

The earthquake which had the greatest amount of damage among those which occured in the past is the Great Kanto Earthquake; it came to about ¥6.4 trillion when converted to present-day prices. In the event that the Southern Kanto Earthquake occurred, the amount of its damage would probably correspond to about 15 times the damage of the Great Kanto Earthquake.

The Post-Earthquake Japanese Economy

It is expected that the Japanese economy after the earthquake would make an about-face and be reduced to minus growth.

This is because economic activity would be paralized temporarily centered on the Tokyo area. However, after that, high growth would be expected, accompanying the generation of huge recovery demand centered on such things as investment in housing and in plant and equipment. But about five years later, when recovery demand gradually declined, business conditions would probably rapidly cool off again.

Wholesale prices and consumer prices would exceed a growth-rate of 10 percent for a time, accompanying the generation of recovery demand, but it is estimated that it would peak in the year following the earthquake, and go on gradually abating.

If we forecast the shape of the post-earthquake economy, it would probably turn out to be as described above.

At the time of the Great Kanto Earthquake of 1923 the economy did not recover from the shock of the earthquake, and in the end it fell into a long depression, but in the event of the occurrence of the Southern Kanto Earthquake, it appears to me that although business conditions would worsen for a time, after that they would, conversely, go on improving.

This is because as a result of having attained rapid growth and increased its excess supply capacity, Japan has acquired suffient economic strength to endure a large earthquake.

However, it does not mean that things would be all right because business conditions improved. According to the National Land Agency's hypothesis, the precious lives of 152,000 people would be lost, 205,000 people would be injured, and the number of victim households would reach 3.75 million. Furthermore, it is probable that electricity, gas, water systems and telephones would become unusable in many households immediately after the earthquake.

The cable fire accident in Tokyo's Setagaya Ward can be cited as an example of telephones having become unusable.

This accident occurred in the specific region of Setagaya Ward, and it resulted in much chaos on the economic and social sides, such as telephones going out of order. In the event of occurrence of the Southern Kanto Earthquake, not only would the scope expand, an inability to use electricity and so on would also occur simultaneously. The economic and social chaos would probably be difficult to imagine, all the more so because in modern society such things as electricity and telephones are necessary and indispensable to the economy and to society.

On the other hand, the good business conditions after the earthquake would be no more than the GNP growing as a result of spending for the purpose of repairing things which had been damaged.

That is, it would amount to losing the stock which would probably have accumulated if the funds required for restoration had been applied to such things as new plant and equipment investment and public investment: such things as, for example, new roads, buildings and equipment.

In addition, it would probably also amount to once again expanding the margin of deficit for government finances, which are on the path to recovery. Of course it is necessary to actively spend government money for emergency situations, but even at present Japan's government finances suffer by comparison with other advanced countries in terms of soundness. There is no doubt that expenditure of government finances in order to lighten the influence of the earthquake would, ultimately, mean increasing the burden of future generations.

In Order To Control Damage

The earthquake's damage can change greatly depending on the scope and time of day of the earthquake. Consequently, the earthquake damage described above, and the conditions after the earthquake, are only one scenario. But it is certain that great damage would occur if the Southern Kanto Earthquake occurred, so the important thing is what is needed in order to keep earthquake damage to a minimum.

Damage from earthquakes is greatly increased by the occurrence of fire. In the National Land Agency's damage estimate, too, damage from fire is overwhelmingly greater than direct damage from the earthquake. Therefore, it is probably necessary first of all to make doubly sure of measures oriented toward fire prevention.

However, it appears to me that the fundamental reason why damage would be large if a Southern Kanto Earthquake occurred lies in the unipolar concentration in the Tokyo area. If an earthquake directly hit the Tokyo area, where such functions as government, economy, finance and information are concentrated, it is probable not only that the Tokyo area damage would be great, but that the influence would extend to the Japanese economy as a whole, and in turn, to the world.

Moreover, if at that time the central functions of government were in disorder, and the sort of situation occured in which the response of the government were delayed, or did not function, there would be danger that the chaos following the earthquake would become still greater. It can be said that in order to keep the earthquake damage to a minimum and not allow it to spread to other areas, it is necessary and indispensable to correct the unipolar concentration in the Tokyo area by such things as transfer of the capital functions.

* Series Looks at Foreign Worker Question

902A0285A Tokyo SANKEI SHIMBUN in Japanese 7-11, 15-19 Aug 90—FOR OFFICIAL USE ONLY

[7 Aug 90 p 3]

[Article by Hiroshi Ito, SANKEI political section reporter: "Specific Solutions: Cabinet-Level Conference on Easing the Labor Shortage Dormant for a Half Year"]

[Text] Nishi-Toyama Park in Tokyo's Shinjuku Ward, near the Japanese Railway's Takadanobaba. Around 5 o'clock in the morning, when the first street cars begin operating, people looking for work that day start to gather from all over. Southeast Asians, who have been in Japan for several years, appear to stand out in this group. With the revision in immigration procedures having taken effect on 1 June, illegal workers are beginning to be strictly controlled. But scenes such as this have not changed very much even now.

In Shinjuku Ward and all over the city—Taito Ward, Arakawa Ward, Edo Ward—there are places which have been designated good for construction company operatives, who have obtained permits under the November 1976 "Law on Employment Improvements for Construction Workers," to recruit day laborers. When the foreigners who gather in the park agree on a daily wage they are loaded into minivans and taken to construction sites. Many of the foreigners rely on this daily means of employment.

A spokesperson at the Takadanobaba branch of the Shinjuku Ward Employment Security Office said that these workers "do a lot of front-end and tail-end work at construction sites, such as repair work and building dismantling." These foreigners are employed in menial tasks at "3 K" construction sites, so called because they are *kitsui, kitanai,* and *kiken* (cramped, dirty, and dangerous).

Following the second period of postwar prosperity called the "Iwato Period" (a 42 month span from July 1958 to December 1961), and into the longest period of prosperity, the "Izanagi Period" (a 57-month span from November 1965 to July 1970), continued expansion caused the labor shortage to grow more severe. Today, it has become even more difficult for the construction industry and for small and mid-sized manufacturing companies to operate without foreign workers.

The administration and the Liberal Democratic Party [LDP], in response to the distress caused by the labor shortage on account of this kind of continued prosperity in the manufacturing sector, have relaxed the acceptance standards for foreign trainees set for small and mid-sized companies. The administration, by recognizing the work of temporary "trainees," is trying to chart a path towards the eventual acceptance of foreign manual laborers, currently prohibited but widely employed.

The government adopted a policy of excluding foreign manual laborers in 1967 with cabinet-level consent given to the "First Basic Plan on Employment Countermeasures." The plan cited the following reasons for excluding foreign manual laborers: 1) pressure would be placed on the employment system, especially on older workers; 2) low wage labor markets would become permanent, leading to the stratification of society; and 3) in a period of economic recession, an unemployment problem would result from the surplus of labor.

In the actions taken by the government and the LDP on the issue of foreign manual laborers, an easy-going posture of eliminating the labor shortage by guaranteeing cheap labor emerged from time to time. The government established a "Cabinet-Level Conference on the Issue of Foreign Workers," which held its inaugural meeting in December of last year. However, the conference has not held another meeting since that time. It is said to be determining the future solution to the problem by debating the pros and cons of foreign workers.

Several people inside the government agree with an official in the Office of Employment Security at the Ministry of Labor, who said, "The debate on the issue of foreign workers as a solution to the labor shortage is the same debate that took place in the late sixties and early seventies." At that time, the labor shortage was growing more severe, but the oil shock crisis of 1973 caused a recession and the debate on the acceptance of foreign workers died out. Taking into account fluctuations in the cycle of prosperity, the same official remarked, "Every 10 years or so, the same debate is rekindled."

However, unlike earlier periods, the birth rate has hit a historic low. (According to the Ministry of Health and Welfare's 1990 Census, the average woman only gives birth to 1.57 children.) From now on, the rapidly declining pool of young workers will be a structural population problem. Furthermore, with Japan under pressure due to an influx of workers from neighboring Asian states, the debate on the issue of foreign workers

has grown to encompass the broader issue of how Japan should fulfill its international responsibilities.

[8 Aug 90 p 5]

[Article by Tetsuro Hanari, SANKEI political section reporter: "Under Stronger Influx Pressure From Foreign Workers: 'Illegals' Rapidly on the Rise"]

[Text] A day in the middle of June. On a service road for employees at Narita International Airport, a couple of young women are walking about as if they are watching their surroundings.

In blue suits with white blouses, the two would appear to be airport employees at first glance. An immigration worker who passes by, notices that the two women are not wearing identification tags on their jackets. "Strange...," he thinks. The two women who are trying to sneak into the country are from Thailand. At Narita Airport, the new method used to enter the country illegally is to imitate the various uniforms of airlines and airport personnel.

At Narita, there continue to be incidents in which they pass through the inspection compound fences when airport employees are not looking. The flawless falsification of passports is another method that has been observed. Thais have presented Brunei passports to slack inspectors, and Chinese have entered the country with Taiwanese passports. Last year, at the port of Yokohama, a plan was discovered to hide people in containers on a cargo ship with Chinese registry, and smuggle them into Japan posing them as Chinese refugees. With Japan as their goal, these people risk exposure as well as physical danger. Invariably, they come to Japan to earn money. In Japan, they can earn several times or several hundred times more money than they could at home in their own country.

Mr. A, a 26-year-old Bangladeshi, worked in a Tokyo printing plant for two years together with his younger brother and a cousin. The three of them were able to save ¥4 million. Even after return airfare was subtracted from these savings, they were able to purchase a three-story building on the outskirts of Dhaka for ¥1.5 million. They plan to open up a toy wholesaling business.

Deputy Chief Motohashi at the Narita Airport Branch of the Tokyo Immigration Bureau remarked, "The current of people is running in the direction of Japan." An estimated 5,000 illegal aliens are denied entrance into Japan at water's edge every year.

Even high-ranking officials at the Ministry of Labor have been taken aback by the strong influx of people from neighboring countries. One official has said, "A hole has opened up in the dike concerning the acceptance of foreign manual laborers in Japan. I believe that we will be done in by the strength of the current."

In 1987, Japan's Gross National Product (GNP) per capita was 6 times greater than South Korea, 18 times greater than Thailand, 26 times greater than the Philippines, 54 times greater than China, and 98 times greater than Bangladesh. This is an overwhelming economic disparity.

However, not including illegal workers, the number of foreigners working here in Japan legally has been on the increase for a number of years. In 1988, the number of foreigners who had permission to work in Japan reached 80,000.

Seibu, the department store chain, began hiring foreigners in 1982. It has been called a pioneer in its field. It currently has about 100 foreign employees, in departments and occupations ranging from sales, interior coordinating, product repair, public relations, and international affairs. In all basic respects, they are treated no differently than Japanese employees.

Large corporations are actively hiring foreigners to serve as strategic assets. Meiji Life has begun to hire foreigners with full benefits, and Sony has hired 70 foreign employees this year. This trend is expected to increase in the coming years. The movement of labor across international boundaries has followed in the wake of the internationalization of goods and capital. Even while the number of legal workers continues to rise, the situation with illegal laborers will come to be known as the "downside of the internationalization of the Japanese economy" if it continues to remain unchecked.

[9 Aug 90 p 4]

[Article by Noriyuki Higuchi, economic section reporter for the SANKEI SHIMBUN: "Labor Shortage: In 10 Years, It Will Reach 2 Million; 60 Percent of Businesses Demand Easing of Restrictions On Foreign Workers"]

[Text] About 20% urban factories stand side by side in Tokyo's Yotsugi District. In Shitamachi, near Tora-san's famous Shibamata, Asian laborers have become more numerous over the past three years. In front of a convenience store late at night, a group of Pakistanis and Bangladeshis gathers, as Tokyo's Shitamachi takes on the appearance of a world very different from the atmosphere of the traditional "lower town."

An owner of a metal parts company, who also serves as an officer in a local business association, offered the following explanation. "There are all different kinds of illegal laborers here. But there are also many business owners who say that their companies would collapse if they weren't here."

"There is a lot of menial jobs at metal plating factories and rolled steel plants. Wages on the open market range from ¥8,000 to ¥10,000 per day. Because wages are so low and it is dirty work, there aren't any Japanese workers for these jobs. Young people don't even come by in the first place."

The current large-scale wave of prosperity, driven by domestic demand, has created a shortage of labor in

construction, retail sales, and service companies in which "there is work, but no workers." The (seasonally adjusted) job vacancy multiplier, released by the Ministry of Labor for June, rose 0.06 points to 1.47—its highest level in 16 years and 4 months. The last time the multiplier was at its current level was in February 1974.

In the "Study of Economic Trends in the Labor Market," released by the Ministry of Labor last November, business leaders in the manufacturing sector of the economy were surveyed to find out how they were reacting to the labor shortage. The largest percentage of respondents (61 percent) were relying on "subcontracts or outside orders," while another 58 percent were counting on the "promotion of labor-saving devices." However, compared to the 75 percent majority of businesses with more than 1,000 employees that implemented labor-saving measures, only 30 percent of businesses less than 100 employees have enacted labor-saving measures. The labor shortage has affected small to mid-sized companies far more acutely. The influx of foreign workers has occurred against this backdrop.

Koji Kodama, permanent vice minister of the Ministry of International Trade and Industry, has said, "Even if we were to improve the social system by expanding employment opportunities for women and make use of the elderly, the labor situation in Japan would still be chronic. If employment obstacles develop and growth in the 1990's becomes erratic, it will be due to a lack of resourcefulness."

However, according to preliminary estimates by private economists, even if Vice Minister Kodama's predictions bear themselves out, by the year 2000, the labor shortfall will grow to 1.5 to 2 million. As an analyst at the Ote General Research Institute said, "Even if advanced equipment is used to improve production, it will not halt the negative impact that the labor shortage will have on overall economic growth. The labor shortage will have a large dampening effect on the economy."

The Japan Trade Council, a body comprised of business owners and executives from small to mid-sized companies, is heatedly debating with the foreign worker issue. Most notably, the Tokyo Trade Council carried out a "Survey on the Acceptance of Foreign Workers" in February 1988 that targeted 5,000 member companies. On the limits that should be placed on the introduction of foreign workers, as many as 59.3 percent of the respondent companies in the study replied, "current limitations should be relaxed and a larger number of foreign workers should be accepted." This total greatly exceeded the 38.7 percent of respondents who said, "the current number of foreign workers is satisfactory." When the businesses that believe current limitations should be relaxed are broken down along industry lines, the results indicate that 40.6 percent of the companies are in industries where "specialized skills and mastery of a certain technology are not required." These industries were, on the whole, more broadminded on the issue of foreign workers.

At this time, a general debate on the pros and cons of accepting more foreign workers has not yet broken out in the business community. However, the time is coming when they will have to face the crux of the issue: the realization that refusing to accept foreign workers will hamper the ability of the Japanese economy to grow.

[10 Aug 90 p 5]

[Article by SANKEI political section reporter, Tetsuro Hanari: "Positive Ideas From Every Quarter: Trump Card For Ending the Labor Shortage"]

[Text] In May of this year, in the upper house Budget Committee, the Liberal Democratic Party's Eisaburo Imifuji, former director of the Science and Technology Agency, raised the issue of foreign workers.

Under the Revised Immigration Management Act (Immigration Management and Refugee Classification Act) passed in June, the administration plans to shut out illegal laborers. Mr. Imifuji advocated the introduction of foreign workers under governmental agreements. The reaction to this proposal was so great that office telephones began ringing wildly.

Mr. Imifuji replied that the nation must fulfill its international obligations. He said, "The labor shortage is a serious problem. Workers from neighboring countries who come to Japan go right to work for troubled small and medium-sized countries. It is Japan's duty as an economic superpower to be responsive to their needs."

The opposition parties often raise the issue of foreign workers at special sessions of the Diet, asking "Is the current situation acceptable?" The government would always say in reply, "the matter is being studied carefully." However, in response to Mr. Imifuji's questioning, Labor Minister Tsukahara said, "We are giving careful consideration to every possible angle, to both the merits and the demerits." Justice Minister Hasegawa replied, "If we do nothing, the number of illegal workers operating underground will grow by leaps and bounds. I'd like to study the matter carefully from many different angles in a forward-thinking manner." There were other responses to the same effect.

In a speech given at the beginning of July, former government minister Toshio Komoto, a Liberal Democrat, asserted that "the time is coming when Japan will have to introduce foreign workers under set standards," because "future labor shortages will not be adequately overcome merely by promoting the hiring of the elderly and housewives."

Against a backdrop of labor shortages and a continued influx of illegal laborers, the opinion that "foreign workers must be introduced in some form or another" is gradually gaining acceptance in the administration and within the Liberal Democratic Party.

In addition, initiatives seeking to incorporate foreign workers into the economy are being proposed by one

economic organization after the other. Last November, the Tokyo Trade Association proposed instituting a "system for creating skilled foreign workers" which would accept foreign workers without any special technical knowledge or skills.

The aim of this system would be to impart certain technical skills and know-how through on-the-job training and actual work. After establishing an "agency" to finalize this plan for enfranchising foreign workers, a series of bilateral accords between the Japanese Government and the governments of neighboring countries would arrive at a fixed number of workers that would be sent to Japan to work for a two-year period. The details of this proposal are still being worked out in order to prohibit general lay offs, guarantee fair treatment and equal rights to guest workers, and provide for health insurance.

The Japanese Food Services Association, a group comprised of restauranteurs, passed a similar proposal in May of this year. In the same month, the Osaka Trade Association issued a report of petitions which incorporated similar ideas. It recognized such innovations as the two-year work period, and included permission for family visits.

Despite some exceptions, the Osaka proposal shared many thins in common with other "proactive ideas for the enfranchisement of foreign workers." These included limiting the overall number of guest workers by government accord, and prohibiting permanent residency by assuring repatriation through an agency for foreign workers.

There are, however, very strongly held opinions to the contrary. Kenji Nishio, a professor at the Telecommunications Institute, is opposed to these measures. "Once these measures are accepted, half the foreign workers will end up as permanent residents. Will we be able to resign ourselves to this?"

[11 Aug 90 p 3]

[Article by SANKEI political section reporter, Tetsuro Hanari: "Argument Against the Acceptance of Foreign Workers: If the Economy Goes Into Recession, Maintaining Education and Housing Would Be Impossible"]

[Text] Osaka's Izumishu, bathed in light from the new Kansai Airport, is a famous production site for textiles. One of its most well-known textile producers, "Obitani Woven Cloth" (headquartered in Osaka's Kaizuka-shi with Shojiro Obitani as president), moved its main factory to Matsunocho in Ehime Prefecture last Fall.

The move was the result of a company employee who was from a town that wanted to lure over an overly neglected factory, and a company that was in trouble because of the labor shortage. President Obitani sighed as he explained his decision. "Aside from the effects of the construction of the new Kansai Airport, the textile industry has been left behind in the current boom, and there was an extreme shortage of workers." However, he disclosed that "If there is a sense of regional pride, one can find enough people in neglected regions. Rather than hire foreigners and experience trouble, we are moving to the outlying regions."

Ideas from companies throughout the country have been incorporated into a recently-announced policy to guarantee sufficient human resources for small to medium-sized companies, which was developed by the Association for the Promotion of Employment in Industry. These ideas include a three-hour, part-time employment system introduced by a manufacturer in Kagawa Prefecture, a policy of employing senior citizens over 60 years old from a company in Chiba Prefecture, and the establishment of a working schedule geared around school vacations enacted by a department store in Akita Prefecture. Most small to mid-sized companies are plagued by the labor shortage, but no necessity for foreign laborers was expressed. At Rengo, Mr. Binko Kuwafuji, Head of the Office of Laws and Regulations, expressed his views. (Rengo is a labor union, led by Chairman Sho Yamakishi, that represents over 8 million workers nationwide.) Mr. Kuwafuji insisted that the current labor shortage can be improved at small to mid-sized companies "by reforming the various labor policies, such as wages, health and welfare benefits, reductions in working hours, and safety measures."

Mr. Kuwafuji had harsh words for executives at small to mid-sized companies. "The attitude of these executives is way behind the times. It's obvious that they cannot find workers because of the 3 K's. Their factories are *kitsui, kitanai,* and *kiken* (cramped, dirty, and dangerous). Have the executives at small and mid-sized companies, who are screaming about the labor shortage, tried to overcome these problems?" Before bringing in foreigners, there are a number of issues that have to be addressed: the elderly, women, the handicapped, and regional disparities.

However, the primary reason Rengo is opposed to the acceptance of foreign workers is because of the effect they will have on the domestic labor market. Mr. Kuwafuji could scarcely conceal his anxiety over this issue. "Right now, we have a labor shortage, so everyone is saying we should introduce foreign workers. But what is going to happen if we slide into a recession? The water in the cup has gone down only a slight bit. But they would have us connect a hose to a hot tub." Mr. Kuwafuji's expression refers to the pressure the enormous influx of workers from neighboring countries would place on Japan if foreign laborers were welcomed into the economy on a temporary basis.

While industry associations, one after the other, put forth proposals to accept foreign workers, only Nikkeiren, with Eiji Suzuki as chairman, has expressed opposition to such measures. As Takehiro Sakamoto, head of Employment Section at Nikkeiren, pointed out, "At the current time, Japan is not in a position to discuss the issue of accepting foreign workers. When we start

accepting foreign workers into the country on a temporary basis, what are we going to do about the basic problems that will arise, such as education, housing, and social security?" To this he added a warning. "Are the people of Japan ready for this?"

In addition to this state of affairs in Japan, the points of view from the countries with which Japan plans to exchange workers must also be taken into account. Kenji Nishio, a professor at the Telecommunications Institute, has criticized the reality of the situation, which he says "violates the human rights" of Asians. "The workers on loan from other Asian nations do work the Japanese see as beneath themselves, and they are being used to the point of exploitation. We will run through large numbers of them, and fairly cheaply too." Many economists also point out that a temporary foreign worker program in Japan will adversely effect the economies of neighboring countries. The exchange program would not encourage technological transfers, and would drain skilled workers out of the labor markets in these countries.

[15 Aug 90 p 3]

[Article by SANKEI political section reporter, Tetsuro Hanari: "Expanding the Number of Trainees: Labor Shortage Stirs the Liberal Democratic Party to Action; Justice Ministry: Rollback to a Stubborn Defense"]

[Text] The Revision Immigration Management Act (Immigration and Emigration Management and Refugee Classification Act) was passed on 30 May, after being held up for two days. At LDP headquarters, Committee Chairperson Takehiro Kuwafuji convened the "Special Committee on the Foreign Worker Question." Before the committee members in a packed meeting room, Mr. Matano, head of the Office of Immigration Management at the Ministry of Justice, announced that the standards for the acceptance of foreign workers, set by ministerial ordinance according to the revisions under the Immigration Management Act, would be relaxed in order to increase the number of foreign workers admitted as trainees. The measures met the strong demands from the party.

Just before the ministerial ordinances were enacted, readjustments were carried out that were a dramatic departure from the norm. Even the standard ministerial ordinances were reworked by the ministries and agencies affected, and were officially announced in the middle of May. The Ministry of Justice gave consent to a relaxation of these standards just two weeks after they were announced.

The standards were relaxed because the state of affairs had changed very dramatically. The relaxation of the standards came about as a result of a misinterpretation of a strong outcry from voices within the LDP that had the backing of small and mid-sized companies. The outcry was so intense that officials in the Ministry of Justice yielded to the pressure. Stated one official, "The influence exerted by committee members with connections to small and mid-sized companies was simply phenomenal."

The standard ministerial ordinances placed strict limits on trainee programs for foreign workers. One ordinance read, "The number of foreign trainees inducted must not exceed five percent of the total number of employees in any company." The reaction from small to mid-sized companies was explosive. One executive at a small to mid-sized company said, "It is government policy to give preferential treatment to large corporations." Executives from smaller companies lobbied several committee members intensively.

The liberalized policy, outlined in a "Bulletin from the Minister of Justice," will continue to be studied by the LDP's Subcommittee on Immigration Management Policy. Every time the subcommittee meets, two or three committee members attend, and great concern is expressed. An official at the Ministry of Justice lamented the attendance rate. "When revisions to the Immigration Act were being studied, at the most only four or five people would show up."

However, when executives at small and mid-sized businesses, who are influential supporters in the home election district, apply pressure, Diet members cannot afford not to act. As one young member of the LDP said, coming up with a government policy to address the labor shortage is "a matter of life or death for several Diet members. It is a critical issue with direct ties to the ballot box."

Heightened concern on the part of the Liberal Democratic Party has marked the beginning of the increased significance of the liberalization of immigration standards as part of an overall government policy on the labor shortage. A furious fall back into a last-stand defensive redoubt has occurred, raising fears that the Ministry of Justice's framework for the Revised Immigration Management Act may be torn asunder.

The "Bulletin from the Minister of Justice" will be implemented on 17 August. Even companies with fewer than 50 employees will be able to admit as many as three foreign trainees, but this is limited to businesses which are part of associations of small and mid-sized companies or trade councils.

However, the Ministry of Justice, with demonstrated zeal, will dutifully "carry out its work without trepidation" under the "Bulletin from the Minister of Justice" and will "inform the heads of immigration in several countries in the next three months of the conditions for the first traineeship program to be enacted."

An official at the Ministry of Justice added that the use of trainees by small to mid-sized companies will be a "sufficient brake" against the labor shortage.

Progression in the Number of Foreign Workers in Japan for the Purposes of Training

	1985	1986	1987	1988	1989
South Korea	1,604	2,336	2,800	3,343	4,125
China	2,541	2,848	2,688	3,840	3,496
Thailand	1,233	950	2,428	4,708	4,502
Indonesia	1,135	1,114	1,310	1,378	1,748
Philippines	1,134	968	1,207	2,314	3,974
Malaysia	610	620	757	1,329	2,175
Brazil	466	521	576	628	851
Taiwan	299	497	375	444	539
America	264	328	356	396	416
India	395	346	327	313	368
Others	4,306	3,860	4,257	4,739	7,295
Total	13,987	14,388	17,081	23,432	29,489

[16 Aug 90 p 4]

[Article by SANKEI political section reporter, Tetsuro Hanari: "Tug o' War Mentality: Combating Meaningless 'Ministry Advantage'; Institutional Opposition From Labor and Justice"]

[Text] "It may have been defeated so that the Ministry of Justice could save face." On the 9th of this month, the Liberal Democratic Party's Subcommittee on the Issue of Foreign Workers, an LDP Labor Section meeting chaired by Giro Hayashi, met at party headquarters. Afterwards, officials in the LDP Labor Section were overheard grumbling to themselves.

In the subcommittee meeting, the Ministry of Labor sought to expand the number of foreign trainees admitted into the country next year as part of its "basic plan." A 1991 timetable was drawn up for a "system of actual hands-on experience," under which the trainees would actually work for two years. This system would have placed the trainees in the work force as part of a simple policy to offset the effects of the labor shortage. The Ministry of Justice was strongly opposed to such a policy. The Ministry of Labor gave in. It could be said that the Ministry of Labor's attempt at assuming leadership over the affairs of foreign trainees was broken up by the Ministry of Justice.

The Labor Ministry's plan would have established an "organization to manage and regulate the affairs of foreign trainees," placing centralized control over the admission of foreign trainees into Japan. This system would have been limited in scope to foreign trainees. Under this system, a trainee would have been given a technological skills examination at the completion of one year of training. If the trainee passed, he or she would work straight through the second year of the program.

The Ministry of Labor quietly examined its new system, backing it up from every legal angle, using the Special Measures Act and other laws. As a Labor Ministry official explained, "Unless the legal limitations under the new system are clearly defined in laws, it would be difficult to repatriate foreign trainees reliably."

As a Justice Ministry official said, from the very beginning, in coordination talks between the two ministries, "the Ministry of Labor was acting in total contradiction to parts of the new law." Afterwards, a Justice Ministry official who understood this, was outraged. "The particular problem is not with the new system, but rather with the laws." The established authority of the Ministry of Justice had been compromised under the Revised Immigration Management Act.

Yuhisa Fujii, head of the Labor Section of the Liberal Democratic Party, was convinced of this by Chief Matano of the Office of Immigration Management.

Mr. Fujii said, "The new system can certainly be managed within the framework of the Office of Immigration Management. However, if we update existing laws, and allow the trainees to do actual work in the second year of the program, an 'impression' will have been made, no matter how this is accomplished outside of the framework of the Office of Immigration Management. This is not a good time to attempt it, right after the Revised Immigration Management Act has been put into place."

In addition to the fact that the Ministry of Labor's attempt to uproot it was insufficient, this was the reason that the new system was not adopted. When the Liberal Democratic Party's Special Committee on the Issue of Foreign Laborers, chaired by Mr. Kuwafuji, was convened in the middle of last month, opposition to the Ministry of Labor's plan was intense. An observer in attendance said, "A barrage of objections continued to issue forth from the representatives of the related ministries and agencies. The Ministry of Labor couldn't refute their objections no matter how hard it tried."

With the collapse of the Ministry of Labor's plan, the idea of employing foreign trainees has come under stronger criticism. Said one official in the LDP's Justice Section, "We are tied to the gradual introduction of

manual laborers." A Labor Section official said, "Surprisingly, there are many thoughtful opinions on the issue of introducing manual laborers." It appears as though the Ministry of Labor mistook these signals.

The Ministry of Labor and the Ministry of Justice, up until now, have often collided on the issue of accepting foreign workers. As for the labor shortage in the Japanese economy, the Ministry of Labor, which is seeking to assure enough workers, will continue to meet structural opposition from the Ministry of Justice, which is trying to uphold the status quo.

However, the effect of foreign trainees, no matter how it comes about, has not been discussed adequately. The dominant issue appears to be the continuing struggle for "ministerial advantage."

[17 Aug 90 p 2]

[Article by SANKEI political section reporter, Tetsuro Hanari: "Illegal Workers: Concern About the Effectiveness of Hiring Penalties; Social Unrest Could Arise If Events Take Their Course"]

[Text] Tokuro Minamijima, 55, owner of "Minamijima Oribonjo," a maker of folders located in Tokyo's Shinjuku Ward, decided to close shop on 11 August, after 20 years in the business. Up until that time, he had somehow managed to stay in business by employing four Bangladeshis and Sri Lankans. However, he finally decided to call it quits. "I can't continue if I am going to be punished under the Revised Immigration Management Act." In an acute labor shortage, he could be hit with a severe "punishment for hiring illegal workers."

Under the Revised Immigration Management Act (Immigration and Emigration Management and Refugee Classification Act) that went into effect in June, business owners who hire illegal workers and employment brokers for illegal workers can be punished for the newly instituted crime of aiding illegal workers.

For business owners who employ illegal workers, days of unease have continued since the law was enacted. There have been very few cases like Mr. Minamijima's, in which owners have changed employment. However, employers who hire illegal workers are breathing quietly and keeping watch, wondering to what degree the Office of Immigration Management will expose them.

Since June, the number of employment opportunities for illegal workers coming into the country has been curtailed, because of the focus on punishment for the crime of abetting illegal laborers. According to the National Police Agency, up to the now there have been three incidents in which employers have been charged with abetting illegal workers. When the National Police Agency enforces the crime of hiring illegal workers, its policy is to maintain strict discipline over cases in which excessive profits have been made to guard against kick backs.

Even though an official in the NPA's Crime Prevention Planning Section says that "the weapons at our disposal are increasing," there are many skeptics who wonder how effective they will be. In the Diet, Justice Minister Hasegawa explained that "Even if we tighten things real tight, they will just go underground."

However, there is still the unresolved question of what to do with the illegal laborers who are said to number over 100,000 at present. Problems related to medical care for illegal workers and industrial accidents are worsening, but no figures are available at present. The Ministry of Justice has recently begun to study the actual conditions under which illegal workers live and work in order to complete a "basic plan for immigration and emigration management." In addition, the General Affairs Agency has elected to address the issue of administrative supervision, and intends to begin a similar study at the start of next year. However, even these attempts to grapple with the situation are far from a policy to deal with the current problem. More and more people are demanding that the abandoned policy be reinstated.

The Small Business Accident Indemnity Association, headed by Shiro Furuseki, is a private organization made up of insurers who cover business people and executives at small to mid-sized companies in the Tokyo region against accidents. The association, in its "Basic Plans Concerning the Introduction of Foreign Trainees" announced last July, proposed that all illegal workers currently in the country be granted trainee visas, and that they be given legal status.

Mr. Furuseki appealed to lawmakers to recognize the necessity of expediting a policy on illegal workers. "If the present situation concerning illegal workers is allowed to run its course, the result could be social unrest. Things cannot be allowed to go on like this."

According to the 1990 National Police Agency White Paper, trouble has broken out between foreign workers and residents in the areas where they live because of an inability to communicate. Between January and March of this year, over 500 complaints were lodged that required the intervention of law enforcement officials. A questionnaire was sent out to 2,700 foreigners living and working in Tokyo's Shinjuku Ward. Of the 930 who responded, 82 percent said that they had experienced some kind of discrimination or prejudice at the hands of the Japanese people.

The present situation, warped by "illegal workers," is certainly unfortunate for both parties.

[18 Aug 90 p 2]

[Article by SANKEI political section reporter, Hiroshi Ito: "Instruction: Root of Future Evil, Disorder; Severe Troubles in West Germany, Our Forerunner"]

[Text] On 9 August, when the summer tourist season in Hokkaido was at its peak, the "Hokkaido Hotel Sanitation Industry Association, Hot Springs Division," held a

meeting at a hotel in the center of Sapporo, chaired by Mr. Akira Nakamaki. A motion was raised to hire Japanese-Brazilians as hotel employees, for this was the purpose of the meeting.

Hokkaido's hot spring hotels currently number about 450, employing over 20,000 workers. However, no matter where one goes, hot spring hotels have not been able to maintain an adequate staff to keep up with the increasing number of tourists. At the same meeting, the association set out to implement a new hiring strategy brought about by the labor shortage. Mr. Kurihara, head of the Office of Business Affairs, said, "Originally, the idea was to hire Japanese employees. But, because of the current wave of prosperity, everyone is scrambling."

At the meeting, the association decided to aim at bringing over 200 Japanese-Brazilians immediately, and work to have everything in place quickly so that they were employed by the time the tourist season begins next June. Working permits were sought for people of Japanese ancestry living in Brazil and Peru so that, according to the Immigration Management Act, there would be no problem with illegal labor. In a manner of speaking, it was an attempt to hire legalized foreign workers. In May, the Association of Japanese Embroidered Product Manufacturers adopted a plan to promote the hiring of foreigners of Japanese ancestry. Proposals like these are becoming more widespread.

These policies of "countermeasures at personal sacrifice" to insure a large enough labor pool indicate that Japan is entering an era in which the introduction of foreign workers will become a regular necessity. The government is pursuing an official process for introducing foreign workers legally. However, there is much to be learned from the experiences of "forerunner nations" like West Germany that have introduced foreign workers. There were many cases of failure brought down upon nations that "opened up to labor."

West Germany, after experiencing a crippling labor shortage, began to introduce foreign workers in December 1955. Starting out with Italy, the Germans planned to introduce foreign workers by concluding agreements with Portugal, Spain, Greece, and Turkey. However, after the 1973 oil shock, there was severe unemployment. In December of that year, Germany stopped employing foreign workers.

The number of foreign laborers, which had previously swelled to 2.6 million, fell to 1.92 million by 1979 because of the suspension of the program. However, if the families of foreign residents are included, the opposite is true. The number of foreign residents increased 6.7 percent from 1973 to 1979, from 3.97 million to 4.14 million, because of the birth of children, etc.

For this reason, the West German Government enacted the Foreigner Repatriation Encouragement Act, and in 1983-84 encouraged the repatriation of foreign workers from nations outside the European Community, such as Turkey, by giving out assistance funds totaling 15,000 marks (about ¥1.35 million) for each foreign worker going home. There were, however, many foreign workers who wanted permanent residency status, and the program became ineffective. As of 1986, the number of foreign residents in West Germany had reached 4.48 million, or 7.3 percent of the total population. If this general rate of foreigners were compared to the population of Japan for reference purposes, the total would come out to approximately 10 million people.

In addition, the unemployment rate in West Germany in 1986 topped 9 percent, and was higher among foreign residents at 13.7 percent. As an official in the Ministry of Labor's Office of Employment Security said, "Social problems began to occur, such as friction with the Germans, because of language problems and cultural differences." Kenji Nishio, a professor at the Telecommunications Institute who has studied the lessons of the West German experience, was quick to point out, "There are a number of unanticipated costs associated with the introduction of foreign workers, such as education, housing, medical treatment, and public safety. Even if you are able to end the labor shortage in a part of industry, the entire population will have to foot the bill."

The introduction of foreign workers, if pursued in the wrong way, could in fact become the root of great evil in the future.

[19 Aug 90 p 2]

[Article by SANKEI political section reporter, Tetsuro Hanari: "People's Choice: 'Judgement' Rapidly Approaches"]

[Text] At one of the capital region's prestigious private universities last spring, a coed from South Korea graduated with a degree in English and American literature. She intended to audit courses in the business department, and applied to have her visa extended.

However, the Office of Immigration Management in Tokyo, saying that the objectives of her studies lacked "consistency," refused to grant her an extension, forcing her to return home. Confronted by the student, an official in the Immigration Office's Foreign Resident Section said, "I cannot tell whether your purpose for being in Japan is to study or to take a job on the side." The Ministry of Justice was criticized by some at the university for being inflexible. Said one, "In her situation, she wanted to continue her studies. She didn't intend to work. Without permission, she cannot be accepted to the program at all."

It has been pointed out again and again that "the process for exchange students from Europe and North America goes very smoothly, but students from China, Taiwan, and Korea are instantly suspected." The posture of the Office of Immigration Management has been unpopular for some time now among those who have to deal with them. Against the backdrop of increasing numbers of illegal workers, there is room for continued troubles such as the ones that have plagued it up until now. It is clear

that the time has not come for a decision on the foreign worker question or a policy on illegal workers.

However, with the foreign worker issue, a serious question is being posed to the Japanese people: What kind of country do you want Japan to become?

While a proposal to increase the number of foreign trainees admitted to Japan each year was being debated by the Liberal Democratic Party, the following opinion was often expressed. "Even if it means that we cannot maintain the levels of economic growth we have had up to now, we should not bring in foreign workers to offset the labor shortage." They believed that if manpower is to be scarce, it is all right if economic growth reflects this fact. This argument may portend a radical change in the mind-set of the Japanese people, who until recently gave economic growth primacy over all other objectives.

Furthermore, Japan is an ethnically homogeneous nation. It would have to go through a revolution in its ways of thinking in order to admit foreign workers on a temporary basis. Naturally, Japan is not going to take on the characteristics of a "nation of immigrants."

In this way, the question of whether or not to admit foreign workers will have an intimate effect on the life of each and every Japanese. It will also define the goals and the character of the nation as a whole. The current debate on the foreign worker issue still appears to lack substance.

The faction that opposes the introduction of foreign workers predicts "the deterioration of public safety," and warns that "one has to make provisions for more than just the introduction of foreign workers." Because they are "opposed to it from the start," there is no feeling that they will be able to overcome these objections.

Even though the pro-foreign worker faction believes that "a set number of foreign workers can be admitted into the country with the cooperation of the government," many tend to think that the policy might not be carried out reliably. Japan also finds disagreeable the "mood" being forced upon it to assume its international obligations.

If foreign workers were admitted, for example, it is clear that the current system at the Office of Immigration Management would be insufficient to insure that foreign laborers were repatriated when their stays were up. In order to do so, how many additional officials would it need? What issues have to be resolved in order to provide for housing and social security?

What would Japan's neighbors think if it decided not to admit foreign workers? What would be the fate of illegal workers in Japan? In what ways will the people of Japan have to pay?

These issues must be clearly addressed, and decisions made beforehand. Would the cost of enduring this situation be high? Or, would we have to pay more or less by persevering in some other fashion? Should the people of Japan have the information they need to make these decisions?

* Imminent Labor Shortage Spawns Panic

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[Article by TOYO KEIZAI reporter, Mikio Tsutsui]

[Excerpts] **There Must Be a Major Change in Business and Government Conceptions!!; The Ministry of Labor Has Made a Shocking Estimation and the "Utilization" of the Elderly and Females Will Become an Issue**

"In 1995 there will be a manpower shortage of approximately 520,000 people and in 2010 it will be approximately 9.1 million people." The estimation of the long-term manpower supply in the "Labor Policy Planning Project Team Report" that the Ministry of Labor put together in May is very shocking. Even if they were to "utilize" the elderly and women to the limit, they say in 2010 there will be a labor shortage of approximately 1.86 million people (This shortage figure was calculated by this magazine based on the [Ministry of Labor] report).

However, there is the outcry not only from the outside but even from within the ministry that "these calculations are rough estimates" and it will be hard to accept them.

However, even looking at the elderly composition of the population in the long-term, it is clear that pressure on manpower supply-demand will occur. According to the 1986 "In Regard to Japan's Future Population Estimate" (Ministry of Health and Welfare), from 1989 to 2000 the 15-54 age population level will decrease by 1.66 million people (in particular the 19-24 age level quickly decreases after its peak in 1991) and in the meantime, people in the 55 and over age bracket will increase by 9.28 million people.

Because of this, there is a general feeling that from about 1995, growth in the supply of manpower will cease. This prospect which will mean a pressing labor shortage seems likely, and the industrial world and government are becoming desperate for countermeasures.

Labor-Saving Devices Will Be Developed

"In the 1990's there will be a scramble for people," they say, and it is business managers in unison who are uttering these words. Therefore, the response to the long-term labor shortage as far as major businesses are concerned must be lightning-fast.

For example, there is the automotive industry. Already, because there is a shortage of available manpower on the periphery of large cities, hiring is difficult, and plans to locate factories in regions with many job seekers in comparison to job openings are accelerating.

Toyota Motor Corp. is discarding its current "Mikawa Unipolar Concentration" and is planning new factory construction in Fukuoka, Hokkaido, and Miyagi [Prefectures] and Nissan Motor Company Ltd. is installing an accelerated production system in its Kyushu factory.

Energy is being put into developing labor-saving devices based on automation. Honda Motor Company Ltd. has achieved a 20 percent automation ratio in the third line of its Suzuka factory, and in the future will raise its automation ratio. Toyota and Nissan, in their above-mentioned new factories, intend, like Honda, a 20 percent automation ratio of their fitting-out lines and Mazda Motor Corp. also, is raising the automation ratio of its new factory in Bofu in order not to lag behind other companies. Mitsubishi Motors Corp. and Isuzu Motors Ltd. also, in a single fiscal year, are sinking in several billion yen for labor-saving devices.

And in the nonmanufacturing industries that require labor more than in manufacturing industries, labor-saving is becoming an urgent need. However, it is a source of worry that the margin in which they can substitute labor with machines is not as large as it is in the manufacturing industry.

In the restaurant industry which employs younger workers, a quick market expansion is expected in the future, but the reduced number of young people is becoming a big threat.

In the restaurant industry where exquisite service is demanded, because "We cannot lower the quality of service" (Seiyo Food Systems), it will be impossible to employ labor-saving devices.

Because of this they are anticipating a future labor shortage and the Japan Food Service Association, as an industry group, is for the first time requesting the introduction of foreign workers.

Businesses Will Also be Weeded Out

Capital is necessary for this labor-saving and streamlining investment. What will become a problem is the small- and medium-sized businesses. In Japan's production structure, the absolute majority of small- and medium-sized businesses under the few major enterprises form the existing complete [production] pyramid. The small- and medium-sized businesses, with their low wages linked to the low prices of the final products of the major enterprises, have come to support the pyramid. This has led the government to strive to protect small- and medium-sized businesses, including the areas where productivity is low.

However, now, the situation is beginning to change a bit.

We are able to see a glimpse of this in "Desires Pertaining to a Labor Policy" that Tosho [Tokyo Shoko Kaigisho-The Tokyo Chamber of Commerce and Industry] issued in July. Among these hoped for changes are an emergency fund for plant investment and expansion of tax credits. It declared, "In regard to the types of industries where labor shortages are predicted, there is a need to adopt radical countermeasures which include business collaborations and industry-type conversions." Even going out of business could be one definition of "conversion." In the background of a policy switchover in which Tosho has so far supported a small- and medium-sized business protection policy, Labor Section Chief Kazuo Miyashita says the following: "Fundamentally we should support businesses with drive. I don't think continuing subsidies for dying businesses is a good thing for the entire economy."

In short, in order to protect ambitious businesses from a "structural labor shortage," they say choices [of certain businesses] are unavoidable.

On the administrative level, what kind of countermeasures are being thought of to alleviate the pressure of long-term labor shortages?

First of all, one thing which must be done is the elimination of employment mismatches between businesses and between regions. Even though it can be said there is a labor shortage, at present, there are 1.4 million people unemployed. Through equipping and expanding an employment information system of stable employment places and part-timer banks, they will reduce [the numbers of] these people.

But this is nothing more than a short-term thing and absolute labor shortage countermeasures from 1995 on are not possible.

Reliance on Women and the Elderly

"In the future, where the degree of reliance on middle-aged and older workers will become greater...universally extending age for retirement will become a problem, and in regard to women...it may be necessary to study the introduction of child-rearing leave programs."

The sentence above is from a report of the Economic Planning Agency Council Manpower Research Committee, but it is not a recent report. It was issued before 1970 when the labor shortage as a result of high growth became serious.

In this report, "utilization" of the elderly and women in order to respond to an absolute labor shortage was being extolled, but it is no different from the response policy presently being bandied about. (In this vein there was also a debate on the introduction of foreign workers.)

Going into the 1970's, because of the Nixon shock and the oil shock, businesses shifted toward a reduction of management personnel and the "utilization" of women and the elderly was not implemented, and was not even seriously debated. The present time can be said to be similar to the 1970's.

In the case of the elderly, in the opening of the Ministry of Labor's report, based on "some policy," if the ratio of

60-64 year-old workers was to rise to the ratio of 55-59 year-old workers, in 1995 there would be a surplus of 800,000 people in the work force.

Retirement age prolongation and a system of reemployment after retirement can be thought of as an effective policy.

In 1989, a little over 60 percent of businesses introduced a retirement system at the age of 60 and little less than 80 percent include plans to introduce one.

But in regard to the 60-64 year-old age group because the attempt to establish a retirement system at age 60 years of age is difficult to do immediately, this is being left to a reemployment system.

As for this reemployment system, it was introduced by a legal reform in July of this year. So in the case of 60-64 year-old workers who have reached retirement age and desire reemployment, employers are obligated to seek to employ them based on ability.

In the Ministry of Labor there is the idea of using the reemployment system as a lever to ensure places of employment for 60-64 year-old workers.

On the other hand, as for women, in the case where it is hypothesized that all female employment candidates will actually be employed, in 1995 a supplementary supply of 6.45 million people is supposed to occur.

This is premised on an increase of child-rearing leave programs and reemployment programs.

The child-rearing leave program is a system that makes possible leave from work for a fixed period (usually one year is the maximum limit) for working women to raise children.

This is not widely used and as few as 20 percent of women employees have taken advantage of it, including teachers who have this program (1988 Ministry of Labor study). Moreover, among the developed nations, only Japan and the United States have not written this into law.

But because a child-rearing bill was put forth by the four-party opposition coalition in the upper house where the ruling and opposition parties have been reversed, suddenly the movement for legislation has increased. The four-party opposition bill provides that not only women, but men will be able to secure child-rearing leave and will be provided with 60 percent of wages during such leave.

The industrial world approves of child-rearing leave per se, but regarding legislation, because of the difficulty of ensuring substitute personnel, the burden of double wages, and the unfeasability of application to men, it is opposed.

The Ministry of Labor has the opinion that, "Individually, when we question businesses, in a situation of a labor shortage, when it comes to employees returning to work after one year, many say it is far better than having them quit. In regard to wages during leave, when you look at the circumstances in foreign nations, apart from the ratio and revenue [of those wages], companies, nonetheless, have to factor them in. It is funny that businesses will be in a bind when [this leave] is used by men, when you think of the concept that child-rearing is a cooperative effort of men and women" (Women's Welfare Department Planning official).

There is industrial world opposition, but the Liberal Democratic Party also is aware of the women's vote and is taking an active interest in legislation.

The reemployment system is, nevertheless, a system in which women—for reasons of pregnancy, child-birth, and child-rearing—who have resigned have the possibility of returning to work when they have applied to return to work within one year. [passage omitted]

A Policy That Cuts Through "Red Tape" Is Needed

However, we must pay attention to the fact that programs of retirement prolongation, reemployment, and child-rearing leave should come into wide use from the viewpoint of manpower supply-demand.

These are programs which make employment possible for people who desire to work, and through the spread of these programs, even though the manpower ratio of the elderly and women has risen, this is simply an involuntary effect.

If you turn this over, even though these programs have been implemented, assurances that the manpower supply will increase as far as expected are nowhere to be found.

The return to work of the elderly will be intertwined with pensions. At the present time Japan has become a materially rich society and "Workers have retirement annuities, welfare pensions and employment insurance, and the number of people are increasing who think they want to spend their later years living in easy retirement" (Yasukazu Ogawa, Nikkei associate managing director).

This has been overlooked in pension law revisions, but if they raise the age to receive a pension (from the present 60 years to 65), it is certain that the 60-64 year-old bracket will increase. In that sense, this can be said to be an immediate first phase for resolving the labor shortage. However, the debate about whether or not a society where an older person has to work whether or not he wants to is, indeed, a "rich" society is already decided.

This is similar to the introduction of women to the labor market. Granting that even if the child-rearing leave program quickly spreads, or becomes written into law, if the infrastructure of child-care centers, night-time nurseries, and home helpers that guarantee employment after completion of leave are not established, as a program, it will all be in vain.

The distortion of the tax system with limits on the nontaxable amounts is another reason why women are reluctant to enter the labor force. (Refer to this in SHUKAN TOYO KEIZAI's 13 January issue, "Wake Up the Manpower of the Full-Time Housewife!")

In looking at increases in women in the labor force revision of the societal role of men is necessary. Many working women still are the primary housekeeper and child caretaker and are in the situation of working a so-called second shift. This also keeps women out of the labor force. [passage omitted]

So long as it predicts economic growth of a certain degree, apart from raising the manpower ratio of women and the elderly, there is no policy to ride out a long-term labor shortage.

The government needs, for a labor policy, to devise overall radical labor countermeasures which include an industrial policy, protection of society, and revised tax system. At the same time, businesses and men will be faced with a revolution of conceptions and awareness.

In merely the coming five years, from now until 1995, plans must be formulated and changes accepted to put these programs into place.

3 Cases Hypothesized by the Ministry of Labor

Case	Scenario		
(1) In response to a manpower shortage, the supply increases.	Based on an increase of earnings, consumption and investment increases	There is a rise of productivity	But shortly it comes up against the barrier of the manpower supply.
(2) The manpower supply does not increase	There is a reduction of consumption and investment	There is large-scale lowering of the productivity increase ratio	In 1995-2000 there is almost zero growth; from 2010 there is minus growth
(3) There is a response to the manpower shortage with a rise in productivity	Based on an increase of earnings, consumption and investment increases	Due to the limited consumption propensity of less than 1 [percent], growth rates do not rise to the same level as productivity	In 1995-2000 there is 3.2 percent growth and in 2000 and beyond there is a 2 percent mark growth

(Note) Economic growth is based on 4 percent (manpower supply of 1 percent and productivity rise ratio of 3 percent). The elasticity value of manpower demand versus economic growth is fixed. (Source) Ministry of Labor's May 1990 "Labor Policy Planning Project Team Report"

[Boxed item] The Relaxation of Public Regulation Will Generate Manpower; Conversation with Nikko Securities Research Center Director Masao Yokomizo

Regulation of business activities and competition in the nonmanufacturing industry fields is one of the major causes of the labor shortage.

The obstruction of free market participation by public regulation of the distribution, transportation, and communication industries is creating noncompetitive conditions and inviting low productivity.

Consumer prices in high growth periods have risen, but wholesale prices have been stabilized. This is due to the fact that because the manufacturing industry was competitive, the rise of wages was able to be absorbed with a rise in productivity, but in opposition to this, because the nonmanufacturing industry was noncompetitive, a rise of wages was imputed into prices.

If they were to relax nonmanufacturing industries regulations and make them competitive on the level of the manufacturing industries, productivity would rise and prices would stabilize.

There has been outside pressure, but the application and relaxing of the Large-Scale Retail Store Law is nothing more than the first step of regulation relaxation. In the future, regulation may be removed in various fields.

This can be seen in looking at the economic unification of the EC, the world is moving toward the removal of regulations. Japan alone cannot swim against this current.

Consumers must also be more sensitive to prices. If regulation is the cause of high prices, it is necessary to raise an outcry in such a way that will get rid of regulations. In order to do this, we will have to switch-over from the serious consideration of producers to the serious consideration of consumers.

The abolition of regulation spanning many industries will drastically revolutionize the industrial structure. Naturally, there will be casualities.

Yet for all that, it must be done. In order to raise the productivity of the nonmanufacturing world and respond to the labor shortage, this cannot be avoided.